THE NATIONAL SURVEY OF HOUSING ABANDONMENT

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Preface to the Second Edition of The National Survey of Housing Abandonment

It has been approximately five months since we published the first edition of this document. In that period of time, evidence supporting the major conclusions of this study has mounted, and we have witnessed the introduction of a major piece of legislation which addresses itself specifically to the abandonment problem. However, despite the continuing validation of our hypotheses, and the increasing attention being devoted to the problem by legislators and their staffs, we have yet to perceive an appreciation of the problem as a process. Title II of H. R. 9688 (Preservation & Revitalization of Declining Neighborhoods), for example, provides for a revised system of mortgage insurance in designated "Neighborhood Preservation Areas", but it fails to go beyond the manipulation of this variable and deal with the multi-dimensional nature of the problem. To be specific, no mention is made of need for increasing homeownership or the delivery of essential public services such as education, sanitation, police and fire protection to the designated areas. While we applaud the recognition of the need to stem disinvestment by mortgage lenders, we are, at the same time, dismayed that the framers of the statute have ignored the fact that housing exists and is sustained in what has been appropriately termed "a complex web of social relationships."

Further distressing is the evidence that the trends we have delineated are continuing unabated - in some cases at an accelerated rate. In New York City, for example, the number of housing completions and the number of units for which applications for new construction were filed sunk to a new post World War II low. Further, despite the realization of rent controls, major mortgage lenders have refused to commit the resources needed to reverse the psychology of abandonment that pervades the city. The New York Times, in a recent survey of the financial community, quoted the mortgage chiefs of a large commercial bank and of a large insurance company as follows: "The new vacancy decontrol law isn't that decisive. There are a lot of other factors that have kept builders inactive in this town - and that have prevented banks from lending them money . . . We haven't made any mortgages on apartment houses in New York City in a long time, and we're going to look before we make the next one."

More alarming, but certainly not unexpected, is the appearance of abandonment indicators in previously unblemished suburban areas. Such communities as East Cleveland, Ohio; Long Beach, New York; and University City, Missouri are now being forced to deal with problems of "welfare dumping, conventional mortgage disinvestment, and virulent "blockbusting." Thus, we see that the abandonment process, as we described its operation within central city communities examined in this study, is presently being replicated elsewhere in its all too familiar form and content.

Recent compilations of the U. S. Census of 1970 reaffirm our findings that the trend toward metropolitan polarization (racial and economic) is continuing. In Chicago, white people are moving out of the central city at a rate of 50,000 per year (505,000 in the last decade). This is twice the rate of New York City's white outmigration. In St. Louis, during the decade of the 1960's, metropolitan

population increased by 14% while the population of the central city declined by 19%, and value added by manufacturing increased by 78% in the county while the last census of manufacturing showed a net loss of 260 industrial plants in the city. In sum, the massive outmigration of industry, commerce, and middle-class taxpayers (both black and white) from our central cities is creating a devastating impact not only on housing inventories, but also upon the entire metropolitan fabric.

The demand for copies of the first edition of The National Survey of Housing Abandonment is indicative of the need for information of the forces interacting in metropolitan areas. This second edition is provided in grateful acknowledgement of public acceptance for the work as a contribution to the study and solution of urban problems.

The first edition has been used by policy makers, researchers, and field workers. The second edition is dedicated to supporting the latter in their efforts. The findings of The National Survey of Housing Abandonment are being actively used by the National Urban League and the Center for Community Change and their affiliates in formulating attacks on deficiencies in their metropolitan housing markets.

September, 1971

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NATIONAL SURVEY OF HOUSING ABANDONMENT

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REPORT OF THE NATIONAL SURVEY OF HOUSING ABANDONMENT

CHAPTER I

Part I: Principal Findings and Recommendations

This is an exploratory survey of social and racial movement and a variety of housing and economic trends and government policies as they relate to the housing abandonment process in seven United States cities. The survey has produced extensive evidence that entire neighborhoods housing hundreds of thousands of central city dwellers are in advanced stages of being abandoned by their owners. The phenomenon affects many but not all Eastern and Midwestern cities.

Abandonment: A Process Described

Housing obsolescence, the magnet of suburban residential and industrial development, increased tax rates and declining municipal services, erratic code enforcement and urban renewal programs set the stage for the racial and socioeconomic changes that have occurred in many American cities during the period since the mid-1940's. Racial change and the limited housing opportunities available to low income minority people have provided and continue to provide real estate interests with short term opportunities for overcrowding, decreased maintenance and increasing rents and sales prices. The profit taking is intense but short-lived.

At the same time that the market is exploited, perceived or threatened racial change accelerates disinvestment, first by the mortgage money market and second by owners. Real estate can no longer be sold or re-financed at competitive rates. Deterioration spirals as maintenance declines. Neighborhood flight accelerates, first by investors and then by the socially mobile, until only the poor, the aged and the severely deprived remain. The crisis ghetto emerges; abandonment is virtually completed.

There are countervailing forces operative in cities with healthy social and economic bases. Detroit, and Atlanta, for example, are communities with substantial home ownership and economic class integration. In these cities, mortgage lending institutions have refused to panic and social and criminal problems are less overwhelming.

Implications of the Survey

a. The failure of federal, state and local governments to take preventive action will lead to widespread abandonment of sound housing in central cities, increased dislocation and overcrowding, enormous losses of private capital investment, and the need for a massive infusion of public capital investment.

b. Preventive actions - while requiring very large public outlays and substantial changes in policy - will avoid the necessity for far greater outlays and policy changes in the future.

c. The most important element of an effective strategy to reverse the abandonment trend is strong public intervention in the functioning of the private money market in order to ensure that adequate mortgage and housing improvement loan funds are available in the central city.

d. It will also be necessary for each level of government to re-examine present tax, planning, code enforcement and development policies and to ensure that they are directed towards increasing the flow of investment capital into neighborhoods threatened with avandonment.

Policy Recommendations

On the basis of these findings and conclusions the following policies are recommended as a guide to the type and scale of action which will be required to effect any basic change in current trends:

a. Strong immediate measures must be taken to suspend further disinvestment in those communities in which the abandonment process is in an advanced stage. Such actions could include a temporary moratorium on mortgage foreclosures.

b. There must be vigorous public intervention in the central city mortgage and improvement loanmarket in order to ensure that adequate investment funds are available at interest rates which encourages proper maintenance, needed rehabilitation and new construction. Such intervention could take the form of direct public loans or government-insured private loans at a subsidized interest rate. Further actions might include requiring all financial institutions doing business in central cities and pension and welfare funds to invest in central city housing, or the provision of tax or other benefits to encourage such investment. Another possible action (the advantages and disadvantages of which should be carefully assessed) is local or state government guarantee of the resale value of housing in designated areas (contingent upon proper maintenance by the owner), with the government either paying the difference between the guarantee value and the price offered, or acting as "owner of last resort" and purchasing all housing which cannot be sold at the guaranteed price.

c. Federal, state and local governments should support and subsidize efforts to test the feasibility of new forms of ownership by community organizations, and ownership by public agencies.

d. There should also be efforts to test new methods of improving the quality and efficiency of management and maintenance services in central city housing, including the development of city-wide nonprofit institutions to provide training, advisory, and support services to owners and managers of multi-family housing.

e. Property taxes in the central city should be reduced and restructured in order to decrease the burden of those taxes on central city properties and to increase the investment attractiveness of those properties. Tax abatement and exemption should be extended to property owners who im-

prove their properties without passing the full cost of improvement on to their tenants.

f. In order to encourage such tax reform federal and state governments should provide grants to cities in lieu of taxes forgiven for these purposes.

g. All levels of government should adopt policies and programs which create those neighborhood conditions which help to stem abandonment -- a high ratio of home ownership, economic integration, and social stability.

These recommendations by themselves do not constitute a program of action but suggest the kinds and levels of policies that will be required to meet the housing crisis in urban areas. We have not calculated the costs but clearly they will be immense -- and the central cities simply cannot meet them without federal and state assistance. But the costs of inaction are truly terrible and may eventually force many municipalities into some form of bankruptcy or state wardship.

Programs must be developed at metropolitan, state, and national levels that will provide a total and coordinated attack on the problems identified here. Anything less than a total massive commitment may slow the abandonment process but will not change the ultimate prospect of ghost towns at the very heart of our metropolitan regions.

CHAPTER I

Part II: Summary of the Survey Method and Results

Introduction

Housing abandonment as a national phenomenon first attracted public attention only a few months ago. It had been recognized as a problem earlier in several cities, but its overall implications were not seen. The situation in New York City has attracted the most scrutiny largely because the crisis in New York housing -- like other crises in that city -- is more massive and dramatic than the problems of smaller, less dense, and newer cities. New York's abandonment problem alsohad been made an issue in a series of public debates on the city's rent control law.

Concern over the abandonment phenomenon is spreading rapidly. Some cities have instituted stringent code enforcement programs, and others have stepped up demolitions of derelict structures. The 1970 National Housing Act contains a provision for "demonstrations with respect to abandoned properties". However, it is doubtful that any of these approaches will stem abandonment, since there is a serious lack of information as to the causes of abandonment, the pace at which it is proceeding, the persons and interests affected and the degree, and how it relates to otheraspects of the urban environment.

This survey of the nationwide aspects of housing abandonment was undertaken during the summer of 1970 by the National Urban League and the Center for Community Change in response to several concerns. It was feared that a large proportion of basically sound housing that would normally be available to low income and minority group households was in various stages of abandonment. This would severely limit housing opportunities for minority families who have few alternatives. It was also feared that code enforcement, demolition and other strategies of municipal governments might accelerate the abandonment process and further exacerbate the housing shortage for low income households.

With only limited funds and time available, the objectives of the survey have necessarily been restricted. The survey has relied generally on secondary research and interviews with persons most likely to provide insights into the problems of metropolitan areas where widespread and significant abandonment has been reliably reported. For comparative purposes, we have included two cities - Atlanta and Detroit - where the process was either not operative or not widespread.

The survey includes a basic identification of the processes by which abandonment occurs, the probable current and future extent of the problem, and the approaches to solutions which are most likely to be effective. It is hoped that the study will begin to assist community organizations, private groups and government to stem the abandonment of desperately needed housing.

How the Survey was Organized

The first step in the survey was to select cities in which to focus research activities. Published reports and information were gathered and discussions with housing experts from as many cities as were readily accessible were held. The initial selection process focused on cities in which the staff had some reason to believe that housing was affected by an abandonment problem. One of the important results of these initial efforts was the establishment of relationships with contact people in a number of cities who would be in a position to facilitate on-the-spot survey activities.

Based on the findings from these initial contacts, seven cities were selected for more intensive study. These were Atlanta, Chicago, Cleveland, Detroit, Hoboken, New York and St. Louis.

After the seven cities were selected, a procedure was developed for conducting the survey. This included the development of a hypothesis to be tested in each city and the preparation of interview schedules. These materials were field tested in Hoboken, N.J. Hoboken was an excellent test site since final abandonment was clearly in evidence there, data of known quality were available, and interview contacts were known to the survey team.

The survey consisted of visits to each of the selected cities. On these visits the survey staff conducted intensive interviews with local planners, community leaders, public officials, bankers, and real estate brokers and visited problem neighborhoods. Our consultants and Urban League field staff assisted in scheduling interviews, pulling together existing data that were requested, and conducting follow-up interviews where such interviews could not be accomplished during the staff survey.

The Selection of Neighborhoods for Study - "Crisis Ghettos"

Initial observations indicated that abandonment is a phenomenon which is concentrated in specific neighborhoods; data from New York City and Hoboken corroborated the initial observations. The neighborhoods with abandonment are characteristically neighborhoods in which poverty and social pathologies have become worse since 1960 both in absolute terms and relative to the rest of the city. These areas have been termed "crisis ghettos".

As explained in the section of this report titled "The Crisis Ghetto", our hypothesis is that final abandonment of buildings is related to the social and economic processes which culminate in crisis ghettos.

What is Housing Abandonment?

Underlying the survey and our analysis is a particular definition of the housing abandonment phenomenon. We do not consider any vacant building an abandoned building; nor do we believe all inhabited buildings are non-abandoned. Abandonment is a process with a final and intermediate stages.

Housing abandonment might not be considered a problem if there were

ample, good housing for even the poorest families and abandonment affected only the least habitable housing stock. However, it is a problem when there is a housing shortage and people must live in housing which is of poorer quality than that being abandoned. Similarly, abandonment might not be considered as serious a problem as indicated here if it were not an aspect of a socially destructive process that makes entire neighborhoods and, in some cases, entire cities virtually uninhabitable.

When a landlord no longer provides services to an occupied building and allows taxes and mortgages to go unpaid, it is clear that the building is uninhabitable by all but desperation standards. We consider such buildings to be finally abandoned. On the other hand, when a building is temporarily unoccupied or to be demolished for another socially or economically useful purpose, it cannot be considered finally abandoned.

The stage before final abandonment of a building or property is that in which the owner no longer sees any economic potential, yet rental income remains higher than operating costs. Leading toward final abandonment are the following set of circumstances: The present or previous owner has either exploited the property of its value or has found himself in an untenable market situation. The property is of little or no interest to the land speculator or the potential builder of new housing. The accumulated costs of unpaid taxes, deferred maintenance, burdensome mortgages, and, if it has to be demolished at public expense, the repayment of the demolition expenses make the property an economic liability. Even if these accumulated costs can be written-off and the property acquired for no cost, it is typically unmanageable since it is located in a high crime, high vandalism neighborhood with economically unstable tenants. Final and total abandonment is virtually assured at this point.

Our survey indicates that abandonment is both a cumulative and a self-generating process that occurs in many low income and ghetto neighborhoods in which the real estate market has collapsed but in which the demand for shelter remains high. While it is difficult to separate cause from effect in the abandonment of residential property, our survey has placed the phenomenon in historical, social, and economic perspective.

Following are brief summaries of the information gathered from the cities included in the National Survey of Housing Abandonment. Table I provides a summary of data and findings produced by the survey. More detailed analyses for each city are the subject of Chapter II of this report.

CHAPTER I, TABLE I
SUMMARY OF SURVEY DATA

CITY	POPULATION SMSA 1950	POPULATION SMSA 1970	POPULATION CENTRAL CITY 1950	POPULATION CENTRAL CITY 1970	%NON-WHITE CENTRAL CITY 1950	%NON-WHITE CENTRAL CITY 1970	DOES A CRISIS GHETTO EXIST?	IS ABANDONMENT A PROBLEM?	EXTENT OF DISINVESTMENT
New York (NY Portion only)	9,555,943	11,448,480	7,891.957	7,798,757	9.8	23	Yes	Yes	Spreading from Crisis Ghetto to All Racially Changing Neighborhoods
HOBOKEN (Jersey City SMSA) Hudson County	647,437	597,091	50,676	45,559	1.5	5.0	Yes	Yes	City Wide
CLEVELAND	1,465,511	2,043,939	914,808	750,903	16.2	38.0	Yes	Yes	In All Black Areas and in Transition Areas and in Areas Marked for Racial Transition
ST. LOUIS	1,681,281	2,332,425	856,796	607,718	18.0	41	Yes	Yes	City Wide except for segments of the South side.
ATLANTA	671,979	1,373,425	331,314	487,553	36.6	51.3	No	No	----------
CHICAGO	5,495,364	6,894,000	3,620,962	3,325,263	14.1	32	Yes	Yes	Spreading from Crisis Ghetto to All Racially Changing Neighborhoods
DETROIT	3,016,197	4,161,660	1,849,568	1,492,914	16.4	44	No	Incipient	Focused in Renewal & Adjacent to Renewal Areas.

St. Louis

St. Louis is farther down the road toward total abandonment of the central city than any other city in our sample and probably any city in the country. The 1970 census reports a drastic decline in total population --down 19% since 1960. In the two neighborhoods included in our survey there are thousands of abandoned buildings and no programs or public actions in sight to improve the situation.

The process of ethnic change, over-exploitation of property, withdrawal of mortgage financing, deepening poverty and final abandonment is most fully played out in St. Louis, Mortgage lenders freely admit having cut off all funds for the entire city with the exception of one all white neighborhood. This "red-lining" has extended to those suburbs to which middle income Negro households have managed to gain entry.

In the West End section and the Model Neighborhood, the abandonment process was exacerbated by urban renewal clearance activities which displaced 11,000 households during the mid 1950's. Exploitative practices similar to those recorded in the Chicago and Cleveland case studies were followed in St. Louis in response to the demand for housing among the poorest Negro households. Public policy has been one of demolition and sporadic code enforcement.

Cleveland

Eastern Cleveland, containing the Central, Hough and Glenville neighborhoods, was the focus of our survey. Racial change moved through Central, on to Hough and most recently to Glenville beginning in the mid-1950's. Racial change was accompanied by land contract sales and absentee ownership similar to the experience of the Lawndale neighborhood in Chicago. Housing was subdivided to produce sufficient income to pay inflated mortgages, but city code enforcement efforts since 1960 have forced deconversion with consequent loss of needed income and have precipitated some of the abandonment that now exists.

A special census in 1965 indicated that the Central and Hough neighborhoods had been virtually depopulated of stable middle income Negro households and that the area had become a "crisis ghetto". This ghetto of the poorest black households is rapidly extending itself to Glenville and may absorb all of eastern Cleveland.

Conventional mortgage lending ceased in eastern Cleveland in the early 1960's and abandonment became a visible phenomenon during 1965-66. Today no conventional investment funds are flowing into this part of the city.

Chicago

The survey focussed on two neighborhoods in Chicago-Woodlawn and Lawndale. Woodlawn underwent racial transition from white to black in the

late 1940's and early 1950's. Conventional mortgage financing became unavailable approximately fifteen years ago. Some of the slack was taken up by exploitative mortgage syndicates formed by brokers and management companies. Abandonment has been a noticeable phenomenon for at least the past five years and an estimated 15-20% of the housing has been abandoned. Currently the neighborhood houses a declining population of primarily poor, unemployed, welfare subsidized households -- it also contains strong community organizations which are attempting to deal with the problems of a desperately poor population.

Lawndale underwent racial transition over a 3-year period in the late 1950's. The transition was accompanied by a virulent form of "block busting" which left the Negro buyers with impossible financial commitments and without sources of capital to sell or improve their housing. Even though much of the housing stock of Lawndale is of excellent original quality, abandonment is widespread, probably equalling or exceeding the level in Woodlawn. The population of Lawndale is characterized by an equal level of poverty and social problems but with larger families than found in Woodlawn.

Abandonment is spreading outward from the neighborhoods where it is concentrated and is a major concern to public officials. However, code enforcement and demolition, which constituted the city's response to the problem, appear to be wholly inadequate policies and tend to exacerbate the problem.

Hoboken

Hoboken is an old industrial city of 45,000 inhabitants within the core of the New York-Northeastern New Jersey Metropolitan Area. Final abandonment over the past 5 years has been confined to the poorest neighborhood (which is increasingly Puerto Rican but includes substantial numbers of Italians and Negroes) and more than 10% of the housing supply has been affected. However, conventional mortgage funds for either transfer or improvement of residential property is practically unavailable throughout the entire city, with the exception of one relatively high income enclave. With the widespread absence of a money market most of Hoboken has entered the abandonment process.

There is little evidence of the kind of exploitation of property over a short transitional period as seen in Chicago and Cleveland. Disinvestment appears to have occurred over a long period and has been abetted by an extremely undemanding housing code and only minimal enforcement of that code.

New York City

In New York City abandonment has become an important political issue. Owners of rental properties have been struggling to end the rent control instituted during World War II and never fully removed. New York City is

the only major American city with rent control. Owners maintain that rent control reduces profitability to the extent that they are forced to abandon their property.

Studies of the East New York section of Brooklyn and a recent study of a sample of rent controlled buildings suggest that tens of thousands of dwelling units have been finally abandoned in New York. Abandonment in New York follows the same pattern as in other surveyed cities. The study of rent controlled structures cited above indicates that inability to refinance and the level of real estate taxes are more significant than rent control in causing abandonment.*

The Sternlieb study provides strong evidence that abandonment is a phenomenon concentrated in the oldest and least economically viable portions of the housing stock. It is the small, individually-held, old law tenements that are the most likely to be abandoned.

A study of the East New York neighborhood where final abandonment has been a growing problem indicates that the Sternlieb data provides only a partial picture of the situation. There, newer and non-rent controlled housing has been engulfed by the abandonment process. The process followed closely that described in Lawndale and Hough -- racial transition over a two or three year period (in this example, during the mid 1960's), exploitative sales, overly extended buyers, the withdrawal of investors, the emergence of a "crisis ghetto", and finally widespread abandonment.

Public housing and urban renewal activities had indirect but highly negative effects on East New York, our survey neighborhood. There, overcrowding and racial change were to a considerable degree precipitated by public clearance activities in adjacent Brownsville which forced thousands of low income black and Puerto Rican families to seek housing.

Detroit

The economy of Detroit is dependent upon the production of a single product which is extremely vulnerable to the fluctuations in our national economy. The income-elasticity of the automobile has created conditions such as in June, 1965 when the city had the highest per capita income of any large city in the nation. The gains in income generated by national prosperity, however, were far from evenly distributed. Whites consistently had higher incomes, better living conditions, and lower rates of sickness and disease than non-whites. This is not to say that blacks did not participate in the periods of prosperity, but it does imply that the distribution of economic and social gains is encumbered by racial barriers.

Detroit differs from most of the cities in our survey in a number of ways. Blacks in Detroit have a high rate of homeownership. It is

*George Sternlieb, The Urban Housing Dilemma, City of New York, Housing and Development Administration, 1970.

estimated that, in 1970, 48.3% of all black families in the city were homeowners. They are more evenly dispersed throughout the central city (but not the surrounding suburbs) than their counterparts in Chicago, St. Louis, and Cleveland. And they are also, during non-recession periods, more prosperous.

The existence of a black "middle-class" that is tied to homeownership in the central city, together with the continuing willingness of local financial institutions to grant conventional mortgages in black and transition areas are, we believe, the principal reasons for the absence of an abandonment problem of major proportions. To be sure there are abandoned housing units in the city but not on the scale witnessed in the other cities surveyed with the exception of Atlanta. Further, the lack of a crisis ghetto similar to Lawndale or Hough is another factor of prime importance. In these neighborhoods the middle class has deserted the aforementioned areas and left a residual population of the poorest of the poor, but in the poverty areas of Detroit the median family income for four person families was $7400 in 1968, indicating considerable economic integration.

While Detroit has, to date, avoided a housing crisis of the magnitude witnessed in other cities, it does not possess total immunity. If national economic conditions continue to decline, thus causing a cutback in employment in the auto industry, we can expect serious repercussions. Black homeownership, which is the backbone of the stability in the city, will be threatened, and financial institutions will begin to experience unacceptable delinquencies and defaults. Under such conditions the prospects would be far from bright.

Atlanta

Atlanta is a city in which owner occupancy of single family homes predominates. Abandonment is not a problem. Mortgage finance institutions indicate that there are no "red-lined" areas in the city. Property transfer and housing improvement loans continue to be available to all who are steadily employed and good personal risks.

The Negro poor and working class are housed together in an undifferentiated ghetto -- the "crisis ghetto" has not emerged. The middle class Negro population is expanding into formerly white residential neighborhoods, but the old ghetto remains socially and economically viable. This is not to say that the quality of housing for the poor in Atlanta is good. But it does suggest that the real estate market is active.

General Findings - Abandonment is a Social, Economic and Historical Process

Our seven city survey of the housing abandonment problem has produced extensive evidence that entire neighborhoods housing hundreds of thousands of central city dwellers are in advanced stages of being abandoned by their owners. The phenomenon affects many but not all Eastern and Midwestern cities.

Cities which are least affected by abandonment are those which are

built-up primarily in single family homes and where there are mortgage markets that do not practice neighborhood discrimination.

As our case studies demonstrate, the abandonment process has been underway for at least 25 years and involve a complex of factors and a sequence of events. Underlying the process is the changing economic functions of central cities - the dispersion and weakening of their economic base that began to noticeably occur during and immediately following World War II. At the same time as this has been taking place, there have been significant racial changes in many cities. These two factors together have set the stage for the onset of the abandonment process in many cities. The exploitative response of local real estate markets to the heavy migration of blacks and other minorities to central cities is the next identifiable phase in the abandonment process.

A third and closely related factor is the growing number of decisions of mortgage lending institutions within the last decade to disinvest in ghetto neighborhoods. A fourth factor is the social and economic differentiation that has occurred within the spreading black ghettos of many cities during the past decade -- a differentiation which has led to the emergence of "crisis ghettos" in which social problems are overly concerned. A final factor is the lack of coherent and positive public policy toward older housing and neighborhoods.

When a number of buildings in a neighborhood are abandoned by their owners and where the properties rapidly fall into disrepair and are eventually deserted by their tenants, a number of events have taken place over a period of years leading to their final gutting or demolition. The entire process has six major steps that we have been able to identify:

1. Decline in neighborhood socio-economic status (as middle-class whites leave).

2. Racial or ethnic change (as urban newcomers find expansion space).

3. Property speculation - exploitation.

4. Weakened market conditions - emergence of "crisis ghetto" conditions.

5. Disinvestment.

6. Abandonment.

These steps are arrayed on the following chart to indicate how they relate to each other and that each step precedes the following one but does not necessarily lead to it. The survey indicates that the entire process varies in length from city to city and from neighborhood to neighborhood. In Woodlawn it has taken a full twenty-five years from the point of beginning shown on the chart. In East New York, the process began in the early 1960's and is now reaching its head. In some neighborhoods, the process may be even more foreshortened.

The effects of the abandonment process are felt by a part of American society much out of proportion to the whole. Although final abandonment has been traced in this survey to the general operations of metropolitan area housing markets, the process of abandonment operates concurrently with white flight from the central cities. How post World War II trends of Negro in migration to central cities are related to abandonment is discussed below.

Changes in Metropolitan Housing Markets Since World War II

During World War II and in the decade immediately following, the migration of southern Negroes to industrial northern cities occurred at an unprecedented rate and in very large numbers. Between 1940 and 1960, the Negro population of New York, Newark, Chicago, Detroit and Cleveland -- to name but a few key cities -- grew on the average by 267% and by a total of 1,750,000 persons.

Many local housing markets did not respond to the rapid growth of a low status ethnic minority except to seize opportunities for exploitation. There were practically no building additions to the supply of low rent housing -- as had occurred in the tenement construction periods that responded to the great European migrations. The Negro newcomers inherited the hand-me-down housing of earlier low status groups or of middle income groups which had moved up the status ladder. This existing, older housing was often used even more intensively than originally intended. Tenement houses were subdivided into rooming houses; individual homes were split into multi-family units.

Owners of such properties were able to realize a greatly increased income without being forced to invest in any substantial improvements. Speculative trading in such properties, often with the participation of conventional mortgage institutions (but typically not), led to an inflation of values way beyond the actual depreciated replacement costs of the structures themselves.

The exploitation of black newcomers was especially virulent as it affected white working class neighborhoods that lay in the path of the expanding black ghettos. Real estate speculators developed and perfected the techniques of blockbusting, panic sales, and the kiting of property values. In general, the process works as follows. Preying on the housing needs of Negro families and the fears of white homeowners or tenants, speculators first convince white homeowners that Negro entry into their neighborhood means a drastic drop in property values. They then offer to purchase the housing for less than its appraised value but for hard cash, suggesting that it is now or never for the white homeowners. The housing is then sold to Negro buyers at greater than the appraised value. In the early stages of blockbusting, there are usually a number of middle income Negro families who are financially capable of meeting even these inflated costs.

As the blockbusting builds up momentum, families less able to meet the taxes, inflated debt structure, and other costs of home ownership are

brought into the market. By this time the speculators can no longer find conventional mortgage money to effect the sales of properties and they develop higher cost sources of financing. The combination of less able purchasers with higher financing costs insures that housing will be broken up into smaller units in attempts to develop income and that there will be a high rate of mortgage default.

In some instances blockbusting has led to more or less stable black neighborhoods. In most cases, it has proven socially disastrous. The panic of whites and their resentment at being forced out of their neighborhoods creates an immediately hostile environment for the Negro newcomers. The newcomers themselves are typically drawn from diverse neighborhoods and do not form a socially cohesive group.

In apartment districts, the owners have frequently held onto the properties and have joined the search for speculative profits. The ethnic change-over becomes a cue for lowering maintenance standards, raising rents and splitting apartments into more units. Responsible owners may become discouraged when they discover the sales market has dropped and banks are no longer interested in refinancing.

Investment and Disinvestment in Changing Neighborhoods

The entire process of ethnic change as described above viewed from a housing market perspective can be seen as a withdrawal of capital investment from affected neighborhoods. Such withdrawal of investment capital is termed "disinvestment" by economists. When an owner of a house fails to replace worn mechanical or structural elements or to modernize periodically, he is "using up" his investment; he is also spending elsewhere the money that is normally set aside for maintenance and replacement and is thus disinvesting in his house. Disinvestment also occurs when a mortgage institution fails to refinance a building for purposes of modernization or legitimate sale or only loans money for very short time periods. It has cut off the normal supply of reinvestment funds and precipitated disinvestment by the owners.

When the speculation process has raised the mortgage to the point where the owners can barely meet the debt payments, there is little chance that a legitimate buyer can be found or that any financial institution will lend more money for necessary repairs or renovations. When such inflation of mortgages has occurred to many properties in a neighborhood, the scene is set for disinvestment.

In instances where the financial institutions have been caught up in the unwarranted inflation of mortgages, they often have taken large losses from financially weak owners who have defaulted. Our case studies indicate that in many center city neighborhoods, banks have been driven into deep distress by such participation. And, so it seems, once burned twice shy -- many banks in many cities now refuse to commit funds in any neighborhood that seems even remotely threatened by racial change. In the past several years, as this attitude has been accompanied by attractive alternate suburban investment opportunities and a tight money market, the flow of reinvestment capital into older center city neighborhoods has practically come to a standstill.

Disinvestment and Abandonment

Disinvestment, whether caused by owners who pocket the money that ought to go into property maintenance and improvement or by the "red lining" of neighborhoods by financial institutions, is a critical step along the abandonment road. If at this juncture in the life of a building or neighborhood, kited values can be deflated and reinvestment capital found, abandonment probably need not follow. In those neighborhoods where abandonment has occurred, capital flight has always preceded actual abandonment by three to ten years. Typically, the clearest clue that disinvestment has been taking place for some time is when the level of tax arrears in a neighborhood begins to climb sharply. Most cities do not bring legal action against delinquent property-owners for two to five years. For disinvestment properties the owner has no intention of redeeming his property at the tax sale nor is there any legal means for holding him liable for the back taxes. The owner often makes his decision to withhold taxes at the point where his building, through neglect, cannot hold rent paying tenants and where the costs of essential services and removing building code violations begin to approach rental income. In this situation the only way for cash income to exceed cash outgo is for the owner not to pay debt service and/or taxes. Thus, in such instances, non-payment of taxes represents the final profit taking of the owner.

The Quality of Abandoned Property

Racial change, exploitation, disinvestment and abandonment have and will continue to affect most strongly the oldest neighborhoods and the worst housing. However, the process is no respector of neighborhood boundaries or of good housing within affected older neighborhoods. In East New York, Lawndale, eastern Cleveland and other neighborhoods in the surveyed cities, the process quickly spreads from older dilapidated sections to areas in which the housing would be considered quite sound and worth the cost of modernization in more stable neighborhood circumstances. Final abandonment is the end of a historical process which has less to do with housing quality than with who lives in it, who owns it and the willingness of investment capital to remain engaged.

Likely Levels of Abandonment - Present and Future

Only fragmentary data were turned up by our survey on existing city wide levels of abandoned housing. New York City data indicate a probable level of around 2% of the housing stock. Data in St. Louis show that abandonment has affected 16% of the structures in the surveyed neighborhoods. Abandonment in East New York is 6% to 10%. Estimates in the two surveyed Chicago neighborhoods run as high as 20%.

However, as our analysis indicates, these figures represent only the part of the iceberg that shows. Disinvestment is affecting much larger portions of the inner city housing supply than the present final abandonment levels suggest. Disinvestment is occurring in at least 7% of New York City's housing stock and will probably lead to final abandonment unless something drastic intervenes. It is quite clear that similar

levels hold true for the other cities in the survey where the abandonment process is operative.

While percentages may not seem severe, we believe them to be dangerously high. There is reason to believe that there is a "tipping point" phenomenon which is operative during the abandonment process -- a "tipping point" which is in some respects correlated to the tipping points often observed as racial change occurs in neighborhoods and in schools. The survey evidence suggests that abandonment becomes visible when between 3% and 6% of the structures in a neighborhood are finally abandoned. When a neighborhood reaches this "tipping point", the investment psychology probably becomes so severely depressed as to preclude any reversal of the abandonment process without unusual public or other external intervention. As George Sternlieb has said, "The process of physical abandonment is preceded by psychological and final abandonment."

Public Policy and the Abandonment Process

Cities have yet to develop a consistent and coherent approach to the problems of housing deterioration and abandonment Municipal policies are usually a mixture of ad hoc programs structured in response to particular situations or to take advantage of federally funded programs.

Local property tax policies act to deter, rather than stimulate improvements in housing quality and quantity. Cities continue to raise taxes to support municipal services where the income of tenants is too low to pay the rents needed to support the tax burden.

Code enforcement policies are based upon theories of slum-lordism which are, at best, only partially correct. While it is true that poor maintenance is in good part due to landlord neglect in a disinvested neighborhood, by the time that code violations become really serious, the neglectful landlord has typically sold his building to someone without the resources to make extensive repairs.

The urban renewal solution has often been to tear down the slums and to replace them with housing for higher income people or with commercial or industrial development. The end result of many renewal projects has been to displace slums into adjoining neighborhoods. Publicly supported rehabilitation loan programs are typically too small scale, too restrictive as to eligibility, and applied too late in the abandonment process.

Our survey indicates that public policies such as urban renewal displacements, high taxes and overzealous code enforcement in disinvestment neighborhoods accelerate and exacerbate the abandonment process -- but they do not cause it. Nor are the policies and programs available to municipal governments sufficient in scale or scope to stem the abandonment process.

Approaches to Abandonment

The abandonment process has reached the stage where it poses a clear threat to the survival of certain central cities as viable environments

for human habitation. The central portions of our major cities cannot be allowed to continue along the road toward social and physical destruction and abandonment without endangering national, regional, and metropolitan political and economic institutions.

Solutions to abandonment must recognize the multi-variate nature of the problem -- that it is a social and political, as well as economic process. Racism has a great deal to do with the abandonment of neighborhoods -- but our survey suggests that racism by itself does not cause the kind of process described here. Racism combined with an exploitative response of the real estate market, inadequate public programs or controls, a highly restricted black sub-market (including suburban exclusionary policies), and a rapid withdrawal of investment capital from older neighborhoods is a fuller description of the cause of abandonment. Programs that deal with only a portion of the cause are destined to failure. An end to racism will not restore capital viability; an end to disinvestment on the part of financial institutions will not prevent landlord exploitation.

A realistic approach to housing abandonment must be of sufficient scale and scope to touch all the key elements of the problem. It must restore confidence in the strength of the central city investment market; it must remove the possibilities of exploitation; it must be able to deal with contradictory and complicating public policies both within municipalities and within metropolitan regions; and it must deal directly with racial discrimination.

The policy changes suggested at the beginning of this chapter attempt to embody the above considerations and illustrate approaches that relate to the magnitude of the abandonment problem.

ABANDONMENT CASE STUDIES

CHAPTER II

This chapter presents background data and survey results. It also analyzes the abandonment problem in the seven survey cities. The case studies are arranged in order of the severity of the problem as it was observed during the course of the survey. They are as follows:

St. Louis

Cleveland

Chicago

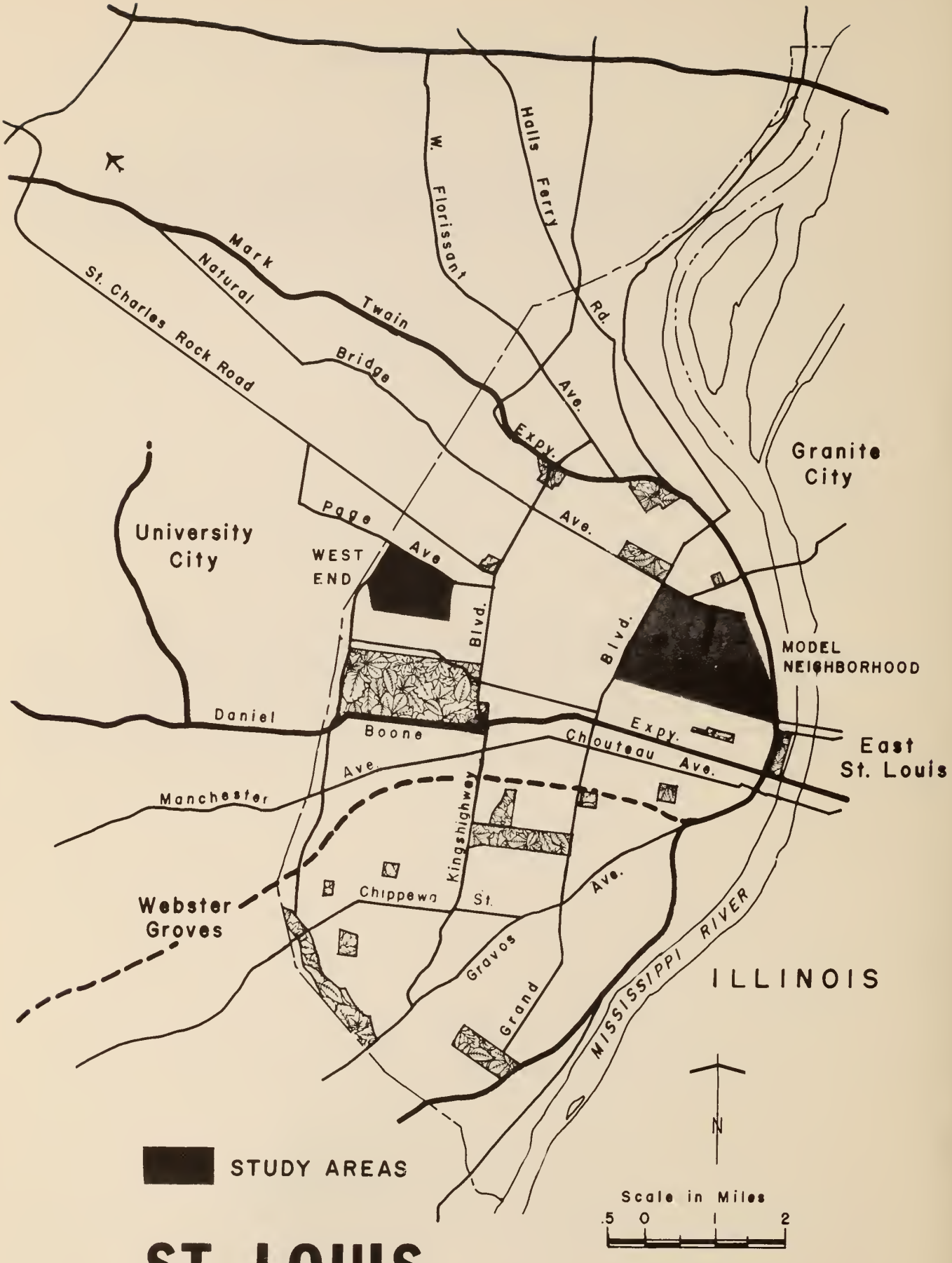
Hoboken

New York

Detroit

Atlanta

In each city, we have examined general metropolitan population and ethnic changes and housing development trends over the past 25 years. The developmental history and current situation of study neighborhoods is presented and contrasted to that of the City as a whole. The investment climate is also described; and finally, we have evaluated local public policies that attempt to deal with abandonment.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ST. LOUIS

CASE STUDY - ST. LOUIS, MISSOURI

General Situation - Population and Housing Trends

In 1970, the City of St. Louis had the dubious distinction of being the central city in the United States which experienced the largest percentage population decline during the previous ten years. The loss of 141,948 persons represents close to 19 percent of the 1960 population.[1] While we have yet to see a disaggregation of the Census Bureau's figures, previously collected data suggest that the number of non-whites within the City has been steadily increasing, though at a declining rate. In 1930, the non-white population of St. Louis was 94,000. In 1955, the figure had risen dramatically to 232,000, and presently it is estimated that non-whites total approximately 41 percent of the entire population of 608,078 persons. The present demographic pattern within the City is one of a relatively stable non-white population (an increase of only 11,000 in fifteen years), and a rapidly decreasing white population (a decrease of 284,000 from 1955 to 1970).[2]

As in most central cities, the non-white segment of the St. Louis population is concentrated in a relatively restricted area. In the early 1950's, over half of the black population of the City lived in the "downtown" area east of Grand Avenue. Under the pressure of the urban renewal bulldozer, however, blacks were forced to move both north and west into either residential areas that became available to them, or into the now infamous Pruitt-Igoe public housing complex. Today, close to 98% of the City's black population resides in three community areas:[3] the Model Cities neighborhoods (Yeatman, Murphy-Blair, Carr-Central, Montgomery-Hyde Park), the near South Side, and the West End. Not unexpectedly, the housing which the blacks occupy in these areas is far from acceptable. In 1960, close to 40% of the units occupied by non-white were substandard, and 28% were listed as overcrowded. Also, the incidence of non-white owner-occupancy was low (34%) in comparison to that of whites (62%). Although many analysts are fond of ascribing the substandard housing of blacks to a lack of income, a recent report found that "...at every income level non-whites are more likely to be renters living in old overcrowded substandard housing."[4] (Their emphasis.)

Our interest in St. Louis was provoked by a series of articles which appeared in the St. Louis Globe Democrat and the St. Louis Post-Dispatch. Both papers have been most diligent in reporting the increasing incidence of vacant and abandoned structures within the aforementioned black-occupied areas.

One might expect a rise in the number of vacant units as a result of the marked population decline. According to the dictates of the filtering process, those units vacated by whites would gradually be occupied by the blacks who would either occupy larger units at rentals similar to their previous occupancy, or benefit by a qualitative increase in the bundle of services offered to the tenant. This process, however, has not occurred.

The vacancy rate within the City has remained relatively stable during

the past ten years. At the beginning of the decade the rental vacancy rate stood at 5.4 percent, and in 1969 it had deviated less than one-tenth of one percent. The vacancy rate for sales, on the other hand, increased from 1.1 to 1.6 percent during the same period.[5] The excess of demolitions (22,207 units) over additions (13,698)[6] contributed to the lack of movement in the vacancy rate, but the substantial out-migration, which dumped approximately 47,300 units on the market, should have caused a substantial upward trend in both vacancy rates. The data, if they are accurate, indicated that a gross distortion in the traditional market process has occurred. Furthermore, the observed incidence of families and individuals occupying units which are less desirable in terms of quantity and quality than those vacant and about to be vandalized indicates that previously unconsidered variables are now operating in the problem environment.

Over 70 percent of St. Louis' housing stock was erected prior to 1930, and more than 65 percent of all housing units in the City are located in structures of two or more units.[7] The typical structure in the neighborhoods hit hardest by abandonment is a two to three-story frame building which is occupied by three to ten families. A rental tenure predominates, and resident landlords are exceptions to the norm.

Two Study Neighborhoods - West End and Model Cities Area

The similarity between the West End section of St. Louis and the Hough area in Cleveland is startling. Like Cleveland, St. Louis had a booming economy during the early 1950's. Similar to what occurred in Hough, the pressure created by in-migration caused the owners of spacious structures in the West End to divide their upper floors into rooms for transient white renters.[8] When the post war demand for space slackened, the City embarked upon an ambitious program of bulldozer renewal. Between 1953 and 1959 a total of 11,000 units were removed from the inventory. Not unexpectedly, the overwhelming majority of the demolished units were occupied by low-income blacks. The dislocation caused by this and subsequent clearance projects resulted in tremendous pressures being exerted on the black submarket.

The first to move into the previously lily white West End were middle income blacks. The transition, at first, was slow. In 1950, nonwhites accounted for 1.8 percent of the population in the West End area, and by 1957 the area was still 85 percent white. In the three succeeding years, however, the area underwent a chaotic transition, and by 1960 whites accounted for only 30 percent of the total population. During the decade of the 1950's some 57,450 whites moved out of the area, and 56,150 blacks established occupancy.

The process of racial transition proved to be a bonanza for the speculators and block-busters. Investment groups were formed and purchased properties at panic prices. Those who did not sell moved out of the area and converted their dwellings into rental units. This was the era of the slumlord. Certain individuals acquired substantial tracts of land and used the income derived from rents to further extend their holdings. Those owners

who did not sell to speculators used the rents they collected to finance the purchase of new homes in the suburbs. Large families were compelled to occupy small amounts of space, and the pressure generated by the overcrowded conditions and a large number of young children taxed basic plant facilities. Most of the buildings in the West End were old, (only 10% built since 1920) and few could withstand the pressure. Landlords, fully cognizant of the City's inability to enforce housing codes, opted to do patchwork repairs and continue occupancy at levels which would maximize rental income on a short-term basis.[9]

While the population of the East End has been relatively stable, (in terms of numbers only), the Model Cities area has been steadily declining. Between 1960 and 1966 upwards of 15 percent of the total housing stock in the Model Cities and Yeatman areas was razed without residential redevelopment. In addition to substantial demolition activity, the area has also become increasingly populated by vacant and vandalized buildings. As of July, 1970 a total of 772 abandoned structures were counted in the Montgomery-Hyde Park, Murphy-Blair, and Yeatman areas.[10] This amounts to approximately 16% of the housing supply of these communities. Moreover, the central business area of the city is rapidly being surrounded by a depopulated ring of vacant buildings and empty lots. The DeSoto-Carr urban renewal area contained approximately 7700 residents in 1960. Today, the inhabitants number less than 1,000. The depopulating phenomenon has created an urban ghost town which stretches for blocks at a time.[11]

The ownership history of the inner core area is one in which there was a substantial degree of white owner-occupancy. Blacks, in significant numbers, had occupied these areas for upwards of twenty-five years, but they never established themselves as homeowners. The urban renewal process according to brokers and property owners had a dual effect on these areas. First, it caused a significant number of those displaced by the bulldozer to seek accommodations in the area. And secondly, it prompted landlords to forestall and eventually forget about maintenance.

Indeed, speculators purchased parcels from whites migrating to the suburbs, but the dominant pattern of ownership was one that was characterized by unprofessional, small-holders. White owners found that the market for their homes was next to non-existent after the onset of urban renewal. Therefore, they opted to finance their move to the suburbs by renting out their homes to blacks. This process proved to be most profitable, but only for a short period of time.[12]

In the mid-1960's the market collapsed in both the inner core areas and the West End. Middle class blacks, in response to the declining quality of the structures they occupied and the increasing incidence of violent crime, deserted the areas. The residual population was comprised of either the desperately poor, or the socially maladjusted. In either case, landlords found that mounting capital and operational costs increased rents to the point where there was no market for their units. In those units where maintenance disinvestment had occurred for some time, basic plant facilities collapsed. Tenants naturally refused to pay rent for such accommodations, and some simple arithmetic revealed to the landlords

that the costs of repair and rehabilitation would place rents far beyond the means of that segment of the black sub-market in the area.

Even those owners not faced with extraordinary maintenance expenditures found their position becoming increasingly untenable. Property taxes, water rates, labor and material costs, and the entire expenditure side of the ledger rose faster than the incomes of tenants. To survive in such a situation one would have to trim the fat from the budget, but in most cases there was no fat to trim. Owners, therefore, took a couple of pounds of flesh. Maintenance expenditures were cut, property taxes became delinquent, and eventually the mortgage (if there was one) was defaulted. The inevitable result was abandonment of the investment.

Public Policy

The administrative mechanisms for the enforcement of the housing code have existed for many years, but until quite recently they have never functioned with any degree of efficiency. Since 1965 the City has been accelerating its enforcement and demolition activities, but much of the effort has been characterized by inefficiency and hints of scandal. The City's housing court operates on a once-a-week basis in the evening. The presiding magistrate, George A. Cady, has been severely criticized by local aldermen for alleged lack of enforcement of the City's housing code. At present there are upwards of 1800 cases on the docket of the housing court which have been in existence for two years or more.[13] One judge, sitting for one evening per week, is certainly inadequate for a city which contains upwards of 240,000 housing units (most of which are quite old) but as Judge Cady states, "...the ills of the last 50 or 100 years can't be remedied overnight."[14]

In reality, the problem is one that has become acute in the past ten years, but has been chronic for at least twenty-five. Illegal conversion activity was tacitly sanctioned by the city in the 1940's and 1950's, and persistent violators of the statutes either went unnoticed or were penalized with minimal fines. Until recently, it was more economical to violate rather than comply with the codes. Again, as in Chicago and Cleveland, the increasing visibility of the problem prompted the city agencies to recruit more staff and become more stringent in enforcement. Unfortunately, such activity has had unintended consequences.

Owners faced with orders to repair found that investment capital to accomplish such was non-existent. Those who had access to financial reserves found vandalism to be a severe problem. Repairs were often made, but destructive tenants forced landlords to repeatedly re-repair the same items. Finally, owners who had embarked upon a policy of maintenance disinvestment years ago (this practice according to various brokers and city officials was concentrated in racial transition areas), sought interminable continuances in the housing court, and engaged in an end game process of total neglect which eventually (the delay was sometimes up to three years) led to demolition.

The City has recognized that stringent code enforcement will reduce

rather than increase the supply of available housing in marginal areas, and has therefore relaxed its compliance requirements. This process only delays the inevitable.[15]

The lack of a proper judicial mechanism to facilitate the take-over of tax delinquent properties has also contributed to the decay of many inner-city areas. An owner who held a property unencumbered by mortgage liens could (and often does) collect rents for three to five years before a judicial or administrative body could compel him to pay his back taxes. In summary, neither the city nor the county have the ability to control the process of disinvestment.

Previously we commented upon the pressures exerted upon the black sub-market by the urban renewal process. Commercially, the process has been a resounding success, but with minor exceptions it has also been a residential disaster. A knowledgeable informant intimately acquainted with the slum housing market in the city described the process in the following manner, "Prior to the Mill Creek project the slumlords' wine had turned to vinegar, but the massive dislocation of blacks unexpectedly created a vigorous market for vinegar." The appearance of the bulldozer acted to artificially sustain property values in deteriorating areas. Speculators knew that every demolished unit bolstered the market for properties he held in other black-belt and transition areas. Thus, instead of improving residential conditions within the city, the urban renewal process often had the opposite effect.

Investment Climate and Policy

The flow of conventional mortgage funds to most areas within the City of St. Louis has been shut off. With the exception of the far South Side of the City (which is an exclusively white community) no savings and loan association will consider either a conventional home-repair or a home-purchase loan. Not unexpectedly, the segments of the suburban market into which a few blacks are making inroads have also been deemed a "high risk" investment by the same institutions.[16]

Why has this occurred? The process and the rationale are all too familar. When the market for low-income and slum properties collapsed in the mid-1960's a number of savings and loan associations were forced to absorb substantial losses. Owners of property on which they held mortgages defaulted, and the institutions soon became aware of the fact that most, if not all, of the parcels they held were unmarketable. Furthermore, when these institutions undertook the management of the properties they became acutely aware of the problems that caused the mortgagors to default. As a consequence of this most unpleasant experience, the institutions red-lined most of the central city. According to Mr. Robert Drohlick, Executive Director of the Savings and Loan League of Greater St. Louis, institutional faith in the viability of central city properties has all but evaporated.

Mortgage companies are also being shaken by the chaotic nature of the inner-city market. The incidence of default on FHA and VA loans has

risen markedly in the last few years to the point where new owners are not even making first payments.

In summary, conventional financial activity in the residential market has ceased to exist within the City of St. Louis. A service corporation consisting of twenty savings and loan associations has been struggling to formulate mechanisms to intervene in the process of repossession, but little has been done to prevent the phenomenon from continuing. The most effective strategy, from a financial viewpoint, is to sever the flow of funds into areas that do not meet very stringent investment criteria. This has been accomplished.

Unfortunately, most of the representatives of financial institutions that we interviewed considered the problem of abandoned housing to be primarily a consequence of social pathology and disorganization. Undoubtedly, the problem has been impacted by social conditions, but one cannot exempt the previously delineated variables from any discussion of causative agents.

The Process in St. Louis as it Relates to Central Hypothesis

The housing abandonment process in St. Louis is distinctly similar to what we have seen operating in both Chicago and Cleveland. The West End is a paradigm of the process as it occurs in areas undergoing rapid racial transition. Middle class blacks establish a beachhead in a soft market. Whites panic and thereby create openings for a massive influx of blacks who tax the plant facilities of housing that was not built for rental occupancy by large families. Facilitated by speculators and absentee landlords now ensconced in the suburbs, the area undergoes a complete change in tenure. Maintenance declines, the middle class flees, defaults appear, and investment (both institutional and personal) is curtailed. Codes are stringently enforced for the first time, vandalism becomes widespread, rents are withheld, and eventually the buildings begin to fall out of the inventory.

Summary

According to Building Commissioner Kenneth O. Brown, there are presently 2,009 vacant buildings within the City which should be demolished, and this number will grow to 3,500 within the next three years.[17] We regard this estimate to be most optimistic. Our investigation revealed that City government was uninformed as to both the magnitude of the problem and the variables operating in the environment to produce the phenomenon. The federally financed demolition program, though beset by alleged irregularities, has constituted the City's response to the complex problem of property management, mortgage investment, income, and social organization. Furthermore, we do not believe that either the creation of a new agency (a recent proposal advanced by Mayor Cervantes) to deal with vacant and vandalized buildings, or other forms of executive reorganization constitute the proper response to a situation that threatens the very existence of the central city.

[1] Housing and Urban Affairs Daily, August 25, 1970, p. 143.

[2] The Negro Population Distribution in the City of St. Louis (St. Louis: St. Louis Urban League, 1965).

[3] Population by Census Districts, St. Louis City, Estimates by Age, Sex, and Color for 1965. (St. Louis: Health and Welfare Council of Metropolitan St. Louis, January, 1967), p. 14ff.

[4] United States Commission on Civil Rights, Staff Report, Housing in St. Louis (January, 1970), pp. 4,5.

[5] Federal Housing Administration, Analysis of the St. Louis, Missouri - Illinois Housing Market as of June, 1968. (St. Louis: Federal Housing Administration, 1968).

[6] All figures on demolitions and additions are taken from Mr. William Dale, Dept. of Buildings, City of St. Louis.

[7] Federal Housing Administration, op.cit.

[8] All of the data on racial transition in St. Louis' West End is taken from a mimeographed memo from D.J. Pittman, Washington University, to the Board of Education, City of St. Louis.

[9] This account was given to us by an associate of one of the largest slumlords in the city. He has expressed a preference to remain anonymous.

[10] From a count taken by Lawyers for Housing, St. Louis, 1970.

[11] From data collected by Mr. E.S. Evans, of the St. Louis Post Dispatch.

[12] From an interview with the Director of the Model Cities Housing and Development Corporation, August, 1970. The Corporation has gathered knowledge of the ownership patterns in the area by virtue of its activity in property acquisition for rehabilitation and redevelopment.

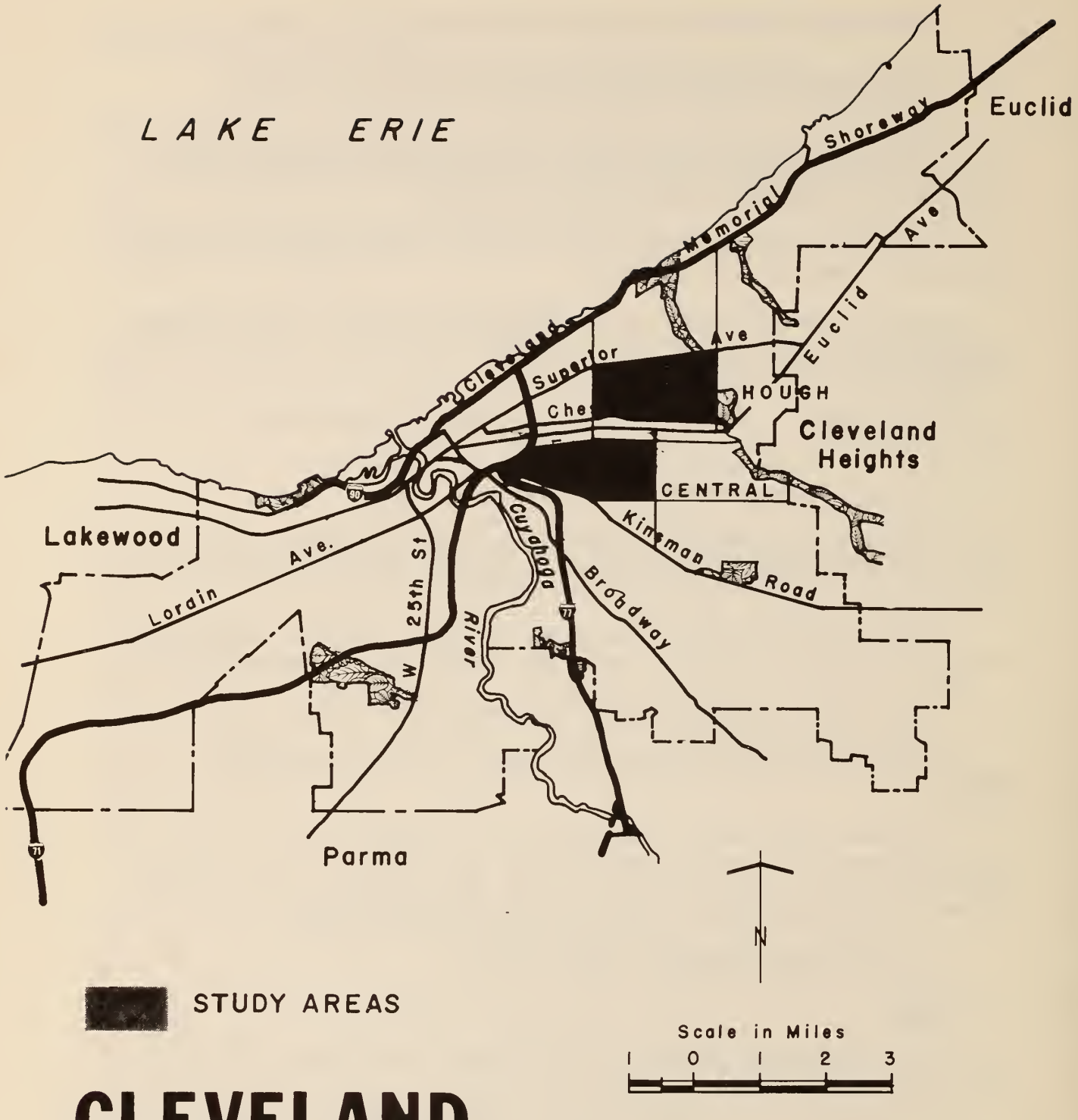
[13] St. Louis Post-Dispatch, June 16, 1970

[14] Ibid.

[15] From an interview with Mr. Ray Daly, Dept. of Buildings, City of St. Louis, August, 1970.

[16] From an interview with Mr. Robert Drohlich, Executive Director, Savings and Loan League of Greater St. Louis, August, 1970.

[17] St. Louis Globe - Democrat. June 27, 1970.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CLEVELAND

CASE STUDY - CLEVELAND, OHIO

The General Situation - Population and Housing Trends

The city of Cleveland, like many central cities in the United States, has experienced a drastic population decline in the decade of the 1960's. According to preliminary estimates reported by the Bureau of the Census, the city lost approximately, 16 percent (136,830) of its population in the last ten years.[1] As the overall population was declining, the non-white population of the city was increasing in both relative and absolute terms: it increased from 253,108 persons or 28.9% of the total in 1960, to 279,352 or 34.5% of the total Cleveland population in 1965.[2] Not unexpectedly, the population changes were not evenly distributed throughout the city. The western section of the city has remained relatively stable, while the eastern section has witnessed an increasing exodus.[3]

Year	Cleveland	% Black	Hough	% Black
1940	878,336	9.6	64,800	1
1950	914,808	16.2	65,695	4
1960	876,050	28.9	71,575	74
1965	810,858	34.1	58,979	88
1970	739,226	N.A.	N.A.	N.A.

Census Tracts R-6, R-8, LI-8.

The city is physically, racially and in some respects mentally divided by the Cuyahoga River. The non-white population of the city is clustered in the eastern part of the city. The area east of the Cuyahoga River, in 1965, contained over 90 percent of the total black population of the city.[4]

The housing abandonment situation within certain areas in the eastern part of the city has reached crisis proportions. The city's poverty area, which includes Hough, Central and parts of Glenville, has been deserted by those segments of the population that have the resources to flee and the area has emerged as a crisis ghetto of major proportions. To illustrate, the percentage of female headed families within the Hough area jumped from 23 to 32 percent from 1960 to 1965. The male unemployment rate during the same period dropped slightly from 15.7 to 15.0 percent but remains excessively high. Median family income in Hough declined by $766 between 1960 and 1965. Furthermore, the percentage of families in the Hough area with incomes below the poverty level rose from 31 to 39 percent during the same period. It was within the above socio-economic context that we examined the housing situation within the City of Cleveland.[5]

Our interest in Cleveland was provoked by a series of articles which appeared in the Cleveland Press as early as 1965, and by a preliminary examination of the viability of the housing market within the city. Our initial findings indicated that the housing market in Cleveland was grossly distorted, and that economic aberrations were concentrated

in well-defined areas such as Hough. To illustrate, from 1959-1970 there were 17,875 housing starts within the City. During the same period, a total of 14,405 units were demolished.[6] While starts exceeded demolitions, and further while the city lost 16 percent of its population, the increase in the gross vacancy rate in Cleveland was infinitesimal - from 1.2 to 1.7 percent.[7] These and other data prompted us to make an intensive investigation of the area in Cleveland where it was reported that large segments of the housing stock were being abandoned by both tenants and landlords.

The Level of Abandonment in Cleveland

Neither the municipal government nor any other public or private organization possesses reliable data as to the number of vacant and abandoned units within the city. However, there are some data which provide an approximation of the scale of the problem. A Real Property Inventory published in 1967 indicated that of the 271,884 housing units in the city only 4920 were vacant.

Hough, while containing less than 3 percent of the city's land area and exhibiting the highest incidence of overcrowding, had more than 25 percent of the vacancies. In 1969, another survey was taken and the total number of reported vacancies was 4,033. Of that number 18.1 percent or 731 units were found to be condemned and 29 percent or 1,169 units were deemed to be in need of substantial repairs before occupancy could occur.

Each community that we visited during our field survey exhibited a different abandonment pattern. The Central area was characterized by a large number of vacant lots and very few vacant structures. We were informed that this was due primarily to the efforts of an energetic local councilman who somehow influenced the city to concentrate its demolition activity in his ward.

Hough, on the other hand, had very few vacant lots but a substantial number of vacant buildings. While the phenomenon of whole blocks of boarded-up structures that was typical of sections in New York, Chicago, and St. Louis was not present, we did find vacant structures of every variety (apartments over stores, four-story tenements, single-family frame, two-story brick) on practically every block within the 2.2 sq. mile area. Based on our visual survey, we estimate the number of vacant units to be in the neighborhood of 2,000-3,000 (the variability is due to the large number of converted units in the area).

Glenville appeared to be in the take-off stage of the process. Whereas Central can be viewed as a community in which the process has matured, and Hough as one in which maturation has yet to run its full course, Glenville is just beginning to experience the major impact of disinvestment. An incomplete survey of this community yielded only a few hundred vacant and abandoned units.

Low Vacancies and Abandonment

The apparent contradiction of reported low vacancy rates and the

large number of vacant and abandoned structures can probably be accounted for in two ways. First, many of the abandoned buildings may not have been counted as available for occupancy and thus not vacant for statistical purposes. Secondly, abandonment is limited to a small area and does not account for a significant proportion of the city-wide housing supply. Our survey suggests that abandonment is a problem that will make its full impact felt in the next few years. What we have here identified is the earliest signs of a potentially much larger scale phenomenon.

Hough - The Crisis Ghetto

The hough community covers approximately 2.2 square miles of land on Cleveland's East Side. In 1872, the Hough area was annexed to the City of Cleveland, and by the turn of the century substantial parts of the community were inhabited by the City's elite. By 1910, 40,000 residents lived in the community, and during the next ten years the population jumped 40% to 56,000. Despite substantial in and out-migration from the community, total population remained at or close to 60,000 for the next fifty years.[8]

Wealthy original settlers migrated from Hough to newly opened suburbs in the early 1920's. They were replaced by a working class population which inhabited nondescript, frame, two-and three-family structures. During Prohibition western Hough became Cleveland's tenderloin district.

The war years (World War I) saw a substantial influx of blacks who were attracted by the wages offered by war industries active in Cleveland. These blacks, however, did not settle in the Hough area. From 1910 to 1940 Hough's black population remained at 1% of the community's total. In 1950 it rose to 4%. In 1960 it was 74%, and at present it is estimated to be close to 90%.

Ownership Characteristics

It has been reported that, "the first extensive absentee ownership of homes in Hough probably occurred during the depression when larger homes started to undergo subdivision or reconversion." At that time the area was populated mainly by Eastern Europeans.

The Second World War caused a massive immigration to Cleveland, and by 1940 the population of Hough had risen to 64,800. Conversion activity (mostly illegal) had a resurgence, and most structural subdivision was planned to provide for individual rather than family occupancy.

The 1950's brought with it another war and Cleveland's industries continued to boom. "Absentee ownership was on the rise. While homeowners attempted to keep up their property, the absentee landlord kept subdividing and allowing his property to go to hell in a bandbasket. To Hough homeowners, city action during the decade was less than beneficial. Indeed, it appeared that the city was deliberately encouraging the community's decline."

During the fifties Hough became a predominantly black community.

During the fifties Hough became a predominatly black community. The change in racial composition was coincident with a change in ownership characteristics of the housing stock. Speculators exploited the fears of whites, and a wave of panic selling swept the area. A local attorney who was intimately familiar with the Hough community mortgage companies, real estate brokers, and banks which were active in Hough at that time, described the process in the following manner:

1. Speculators offered to purchase properties from white owners at well below market values (e.g. a $25,000 house for $15-13,000).

2. They obtained a mortgage from a bank below the true market value in order to pay the panicked seller (e.g. for $15,000).

3. The property was then sold on land contract at a price far above the market value to either a black family or an absentee investor (e.g. $30-35,000).

4. The speculator either held the land contract and used the monthly proceeds to pay the bank mortgage or marketed the paper for 60¢ on the dollar and retired the mortgage in a lump sum.

Such activity was immensely profitable because it allowed the speculator to operate while investing minimal amounts of his capital, and substantial fortunes were accumulated in a few short years. In the early 1960's, however, the housing market in Hough began to decline, and by 1965-66 it had collapsed. Mortgage companies filed for bankruptcy as banks foreclosed on hundreds of parcels, and individual investors walked away from numerous properties.[9] For the small entrepreneur the situation was a disaster. Heavily mortgaged to begin with, the fragile nature of his investment could not withstand the crush of intensive utilization of his old and frequently subdivided structure. As maintenance expenditures increased, his positive cash flow evaporated. Rationally, his only alternative was to disinvest in maintenance, become delinquent in his tax payments, get as much as he could as quickly as possible, and then abandon. Tenants who had historically been victimized by landlords refused to pay rent. As vacancies (caused by either poor services or rapidly increasing crime) occurred the cash flow was further diminished. Furthermore, vacated units were systematically vandalized; often within twenty-four hours of the initial move.

Those desirous of maintaining their properties at or above code standards found that rapid inflation in the cost of all expenditure items placed the price of his units far beyond the incomes of a majority of the area's residents.

Public Policy

The collapse of the market was not solely a function of private

investment. Public policy also played an active role in the decline of the area. Initially, zoning ordinances which prohibited commercial and industrial activity were revised and modified so as to permit the intrusion of hostile land uses in a residential area. Bars, gambling dens, and houses of prostitution were tolerated, notwithstanding bitter and vociferous community objections.

But most important was the laxity which characterized the enforcement of building and housing codes. Prior to 1960, there were a total of 11 housing inspectors for the entire City of Cleveland.[10] Not unexpectedly, such a level of manpower was hardly able to control the extensive conversion activity which occurred during the 1940's and 1950's. As manpower increased, and as the formulators of public policy reacted to the complaints of their constituents, the codes were enforced with much greater stringency. This produced a "tipping point" effect in the economics of property ownership. Those who had purchased property on the basis of income that could be derived from units subdivided decades earlier could not economically tolerate an order to reduce the density of their holdings. Also, those property owners who either skimped on maintenance expenditures or were vandalized by tenants found that it was impossible to comply with the inspector's order to repair his dwelling. Owners whose properties were located outside of federally-sponsored code enforcement areas or owners who did not fall within the income limitations set by federal statute have found it impossible to secure either home improvement loans or financing for rehabilitation.

Investment Climate and Policy

Finally, the investment policies of financial institutions as reflected in the availability of mortgage funds, and more basically in either the stability or appreciation of real estate values had had a substantial impact on Cleveland's housing market. After interviewing a number of bankers in Cleveland, it was evident that not a single financial institution would make a conventional mortgage on a property located in either Hough, Cedar-Central, or Glenville. Banks, in general, considered mortgage investments in any central city area, irrespective of racial composition, as less than desirable.[11] Down payments of up to 60 percent were required by one savings and loan institution for mortgages in the inner sections of the city still occupied exclusively by whites.

Certain savings and loan associations had to foreclose on a number of properties in the Hough area in the mid-1960's, but one must remember that since the incidence of owner occupancy within Hough is only 15-20 percent, the overwhelming majority of foreclosure proceedings were instituted against white absentee owners who could no longer survive in an atmosphere that they had helped to create.

The reaction of the banks to a bullish market that had unexpectedly turned sour was to red-line all "questionable" areas. This decision effectively removed the possibility of any market resurgence and acted as an unintended catalyst in the abandonment process. If the banks had no faith in the community, why should the property owners struggle to maintain their investments?

Summary

Cleveland's future is, in our opinion, very bleak. At one time it appeared that middle-class whites would be priced out of the suburban market and therefore forced to remain within the central city, but the continued development of freeways and expressways has opened up land on which developers for that market can build. Thus, the exodus will continue, and the financial institutions will persist in their disinvestment policies. Those landlords still active in the housing market in Cleveland's poverty areas are faced with economic realities which preclude the viable operation of a rental real estate holding. The income available to residents for rent does not approach the costs of debt service, maintenance, insurance, etc. Those blacks able to afford the rents necessary to maintain a property have long since removed themselves from the area. The residual population finds itself dependent upon substantial subsidies to underwrite basic shelter costs. Under such circumstances one cannot predict anything but a deepening of the crisis.

Our basic hypothesis is that abandonment occurs most frequently in areas inhabited by the crisis elements of the central city population. In Cleveland, this is substantiated by the almost total absence of the phenomenon outside of the poverty area.

We have also confirmed the existence of: exploitive market conditions, overly-used housing subject to poor maintenance, institutional disinvestment, middle-class exodus, public policy catalysts, and a residual population that each year slips deeper into poverty and despair.

[1]New York Times, August 22, 1970, p. 26.

[2]Real Property Inventory of Metropolitan Cleveland, "Sheet-A-Week", Vol. XXXIII, No. 15, December 3, 1965.

[3]Although the recent Census data have yet to be disaggregated, the intercensal count conducted in 1965 revealed that the East Side of the City has declined in population. See: U.S. Dept. of Commerce, Bureau of the Census, Current Population Reports, Technical Studies, "Characteristics of Selected Neighborhoods in Cleveland, Ohio: April, 1965", Series P-23, No. 21.

[4]Ibid.

[5]Walter Williams, "Cleveland's Crisis Ghetto", Transaction, September, 1967, pp. 33-42.

[6]The Path Association, Cleveland, U.S.A.: A Crisis in Housing (Cleveland: Plan of Action for Tomorrow Housing, March, 1970), pp. 3-5.

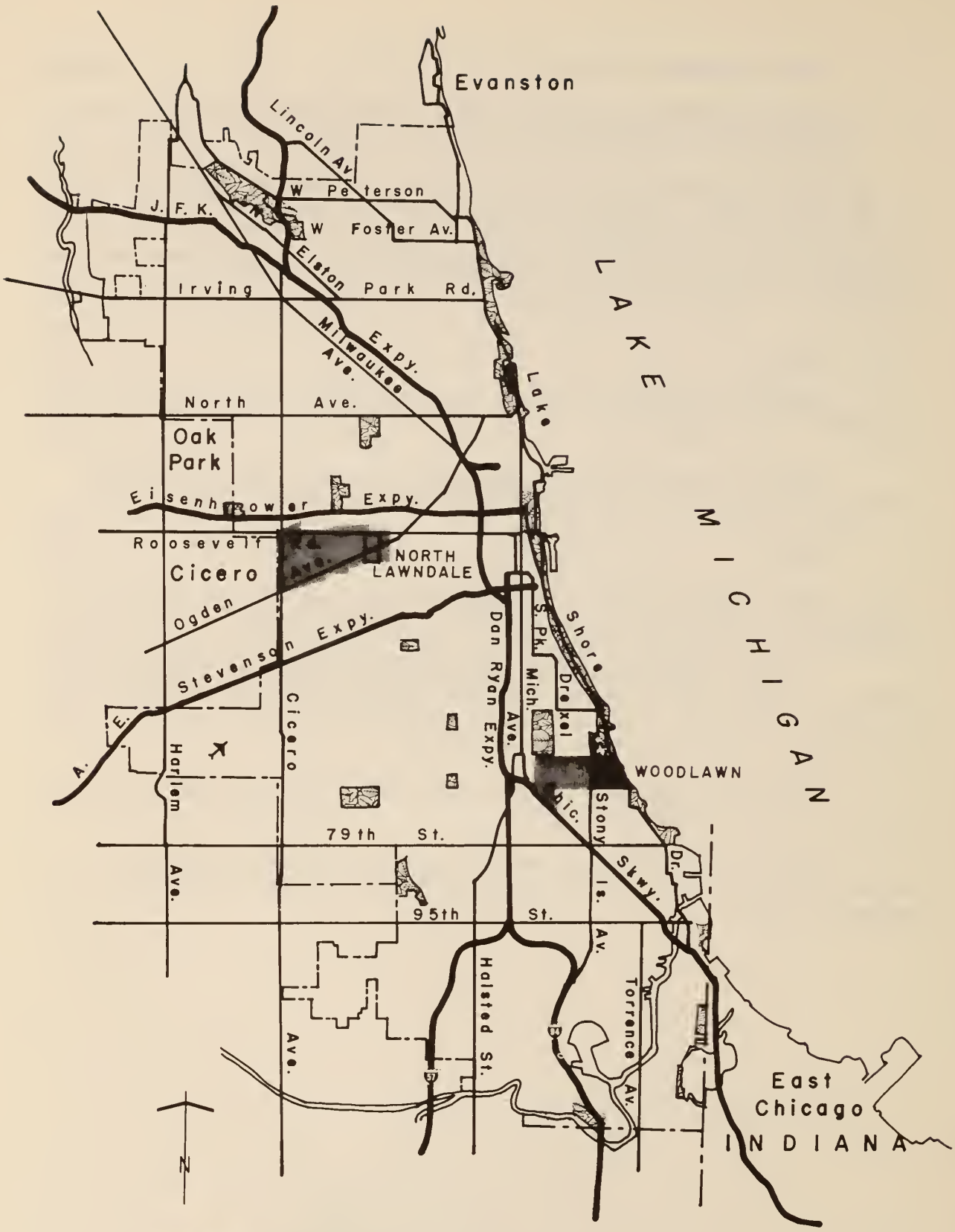
[7]Ibid.

[8]All of the historical data that pertains to Hough is taken from Stuart Meck, "Hough: A Historical Review", Cleveland, 1970. Mimeographed.

[9]From an interview with Mr. Carl Schorr, Advance Mortgage Co., August 14, 1970. State Savings and Loan, Broadview Savings and Loan, and the Liberty Mortgage Co. were cited as examples of institutions which were hit very hard by the collapse of the market.

[10]From an interview with Mr. Charles Sheboy, Housing Commissioner, City of Cleveland, August 12, 1970.

[11]From an interview with Mr. George Hill of Cleveland Federal Savings and Loan and Mr. Robert Goldberg of Ohio Savings and Loan, August 14, 1970.


Evanston
Lincoln Av.
W Peterson
J. F. K.
W Foster Av.
Elston
Irving Park Rd.
Milwaukee Ave.
Expy.
North Ave.
Oak Park
Eisenhower Expy.
Roosevelt
Cicero
NORTH LAWNDALE
Ogden
Stevenson Expy.
Dan Ryan Expy.
S. Pk. Dr.
Lake Shore
Mich. Ave.
Drexel
WOODLAWN
Chic.
Stony Is. Ave.
Skwy.
79th St.
95th St.
Halsted St.
Torrence Av.
Harlem Ave.
Cicero Ave.
A. E.
LAKE MICHIGAN
East Chicago
INDIANA
N
STUDY AREAS
Scale in Miles
0 1 2 3 4 5 6

CHICAGO

CASE STUDY - CHICAGO, ILLINOIS

The General Situation

Housing abandonment is a serious and accelerating problem in Chicago. While no accurate count is available, the number of vacant residential structures in Chicago probably runs into the thousands. An indicator that gives rise to this estimate is the fact that the City Department of Buildings acting through the housing courts demolished close to 30,000 housing units in the years 1965-1970.[1]

In the North Lawndale and Woodlawn neighborhoods the number of structures and dwelling units which were vacant and abandoned far exceeded those which had been demolished in recent years.[2] Furthermore, interviews with housing and court officials indicated that the phenomenon of abandonment is not isolated to those neighborhoods but that the problem of abandoned structures is one that is general to Chicago's poor black neighborhoods and is spreading to more middle income black neighborhoods throughout the city.

Population and Housing Trends in the City of Chicago

The population of the city of Chicago seems to have leveled off at about 3½ million persons and is expected to decline somewhat over the next ten years. A report of the Real Estate Research Corporation indicates that the black population has been increasing steadily and the white population declining and that the 1970 census should show the black population at roughly 36% of the total of the city.[3] The metropolitan area of Chicago continues to grow steadily with approximately 7¼ million persons in 1970 and a projected 8.2 million by 1980.

The black population in Chicago has followed a very traditional northern urban growth pattern. That is, it is highly segregated and is growing by pushing against the boundaries of white working class neighborhoods and existing ghettos. In Chicago, the traditional black belt has grown south and westward from the Loop, or central business district. Chicago has a very active urban renewal program which has concentrated most of its activities in the areas adjacent to the Loop. A recent news article in a Chicago magazine summarizes the net effect of the activities of urban renewal and public housing authorities in Chicago over the past twenty years. Nearly 47,000 dwelling units have been demolished for public housing and urban renewal site clearance. During the same period, 28,000 new housing units have been built in the city outside of renewal areas and 11,000 dwelling units have been built on the renewal land for a total of 39,000 new units - a net loss of 7,700 units in the housing supply over this twenty year period. This net loss of 7,700 understates the net loss of low income housing units which is closer to 20,000 units. Since this tearing down of the oldest parts of the black ghetto occurred during a historical period when the black population was increasing from 509,000 to 1,307,000, the pressures on housing further away from the center was clearly enormous.[5]

The Two Study Neighborhoods - Lawndale and Woodlawn

The two neighborhoods selected for more intensive study both contain large concentrations of vacant and abandoned residential stuuctures. The North Lawndale neighborhood turned over from predominately Jewish to predominately black during the latter part of the 1950's. The Woodlawn area went through a transition from white to black during the late 1940's and early 1950's. The housing stock in Lawndale is of somewhat better original character than in Woodlawn. Lawndale was developed as a totally residentially neighborhood composed of middle class families who were housed primarily in single and two-family units. However, the neighborhood includes a substantial number of six to twenty "flat" buildings, The area still has many beautiful trees and parkways and nicely shaded streets. Woodlawn on the other hand developed during the end of the 19th century and was always an area of mixed residential and transient character. The buildings there are a mixture of two to four unit dwellings, hotels, rooming houses, and other types. In both areas, the structures are predominately masonry and appear structurally sound with little evidence of sagging walls or other structural deficiencies. In 1960 the population of Lawndale was approximately 125,000 persons - up from 100,000 in 1950. Woodlawn was approximately 81,000, a slight increase from 1950,[6] but recent data suggest that since 1967 more than 30,000 people, or 37 percent of the community's population have moved from Woodlawn. In both neighborhoods an estimated 15 to 20 percent of the structures that existed in 1960 have either been demolished, vacated and boarded, or vacated and vandalized. A recent survey of Woodlawn (June, 1970) counted 197 sites of recently demolished buildings, and approximately the same number of vacant and abandoned structures awaiting demolition.

Ownership Characteristics in Lawndale and Woodlawn

The 1960 census report said approximately 15 percent of the dwelling units in Lawndale are owner occupied and approximately 10 percent are owner occupied in Woodlawn.[8] In Lawndale the 15 percent figure may be an overstatement due to the phenomenon of contract sales which will be explained in another section of this case study. The effect of contract sales may be to convince a person that he is an owner, but in fact he is something less than that. In both Lawndale and Woodlawn, our informants indicated that the racial transition prompted those owners unable to find naive contract buyers to resort to absentee landlordism. It was the feeling of many informants that an owner of a multi-family building typically lived in the structure, or at least in the neighborhood. After racial transition an owner frequently moved out, leaving his properties to be managed by a management firm or attempting to manage them on an absentee basis.

In Lawndale, the racial transition that occurred in the late 1950's was accompanied by a vast amount of property speculation and exploitation by block busters and real estate speculators. In Woodlawn, on the other

hand, the racial transition was considerably more gradual and not accompanied by the more flagrant forms of speculation and exploitation. Today, there appear to be three major types of owners on the scene in Lawndale. The first is the contractor-seller-buyer type; second is the real estate company managed buildings owned by absentee landlords; and third are those buildings which are in some state of default and being run by receivers of one sort or another. In Woodlawn the contract-buyer-seller situation does not seem to be very extensive but the other two kinds of ownership are quite in evidence.

Social Conditions in Woodlawn and Lawndale

Both Lawndale and Woodlawn are very depressed neighborhoods. They both have very high indices of most social pathologies, including high rates of crime, disease, fires and unemployment.[9] The differences based upon fragmentary information seemed to be that Lawndale has a greater concentration of large families and large numbers of households receiving aid to dependent children assistance. Woodlawn is the scene of both the Woodlawn Organization, which is one of the strongest neighborhood betterment groups active in Chicago and the Blackstone Nation, which is one of the most highly organized youth gangs in Chicago. Lawndale was the scene of major rioting in the past two or three years and shows many scars from those events. Strips of formerly commercial streets which have been torn down remain vacant as a result of the rioting.

Investment Climate and Policies in Woodlawn and Lawndale

There has been virtually no new capital flowing into Lawndale for the past ten years or into Woodlawn for the past fifteen. In Lawndale, the racial transition which occurred in the end of the 1950's was aided by at least some of the financial institutions which provided mortgage money for investor-speculators in accomplishing the racial change. These investor-speculators would panic white owners, purchase the property at depressed prices, take out a mortgage based upon either the actual or inflated market value, then sell a purchase contract to a Negro buyer. The Negro buyer would be forced to accept a contract that provided for repayment of the inflated mortgage to the lending institution plus payment of a profit to the contract seller. If the house required any improvements, an additional mortgage or home improvement loan was often required. This, in turn, frequently led the Negro contract buyer to convert a one or two family unit into a four or five family unit in order to produce the income required to carry the financial costs. Not unexpectedly, contract purchasers often fell behind in payments and were forced to default whatever amount they had paid to the seller. The seller would then resell his property to another would-be home owner and repeat this process as long as the property would sustain it. This process continues to go on although many properties have been forced off the market due to over-exploitation.

After this initial wave in the late 1950's, banks began to appreciate what was transpiring and decline to make any further investment in North Lawndale. Subsequently, there has been very little real estate activity in

this neighborhood except for resale of purchase money mortgages, and the simple abandonment of properties by their owners when they become unmanageable or when cash-flow becomes negative.

In the past three or four years three savings and loans institutions have gone bankrupt in the city of Chicago, one of them in the Lawndale neighborhood. The Lawndale Savings and Loan failure is directly attributable to its participation in the exploitation which occurred during the racial transition of the late 1950's.

In Woodlawn, the financial institutions have not been involved in real estate transactions for at least fifteen years. The main kind of capital available in Woodlawn during the period since the mid-1950's has been from real estate firms who put together syndicates of investors to purchase properties inexpensively, manage the properties, and pay very high rates of return to the members of the investment syndicates. We heard mixed reports on whether these syndicated investment groups organized by management companies were directly responsible for exploitation and under-maintenance of housing to any large extent. Again in Woodlawn, there is some purchase money mortgage activity going on, but this is very minimal and often not very successful. Several cases were cited where a janitor or another local resident would purchase a building with a low down payment or a reasonable kind of contract from an owner who no longer felt he could maintain his building. The new purchaser, having practically no capital or access to capital with which to make major repairs or even normal repairs, would then be forced to default after a short period.

In part from the experiences in these crises ghetto neighborhoods, and in part due to the general shortage of investment capital or the competition for monies from alternative investments, little capital is available either for transfer or refinancing of properties, or for purposes of major improvements in any of the black neighborhoods in Chicago. We were told by real estate people that the availability of funds was nonexistent not only in neighborhoods like Woodlawn and Lawndale, but also in neighborhoods that were considered potential Woodlawns and Lawndales. These neighborhoods extended to areas which are 100 percent white but lie on the fringes of transition neighborhoods. Middle class black neighborhoods in Chicago are primarily involved in the purchase money market and again have very little capital available from conventional lending institutions. A banker who was interviewed indicates that if FHA were to provide insurance on properties in Lawndale and Woodlawn perhaps some capital could flow into these neighborhoods. However, when pressed, he admitted that more public action would be needed since there is a risk factor even with insurance. A bank can more safely invest in suburban property.

In general, then, it seems that the only properties within the city where it is possible to obtain conventional financing are in very secure white neighborhoods or in large scale redevelopment areas. In the latter, of course, there is also a very heavy federal commitment.

Public Policy and Central City Disinvestment

There are several elements of public policies which have direct bearing on the problem of abandonment in Chicago. These are (1) urban renewal and public housing policies, (2) code enforcement policies, (3) publicly assisted rehabilitation programs, and (4) taxation policies.

The net loss of low cost housing resulting from twenty years of redevelopment and public housing activity was discussed earlier in this case study. Current redevelopment activities do no appear to represent any significant change from the past. The Model Cities effort, both in Woodlawn and Lawndale, promises to be of very small scale with minimal impact on the housing problem.

Code enforcement policies play a striking role in the process of housing disinvestment and abandonment. We were told by several informants that at the point where the city enforces a code on a slum building it frequently brings into play the completion of an abandonment process which began perhaps ten years previously. In some instances where a contract buyer was forced for financial reasons to subdivide his unit or structure through an illegal conversion into a number of rental units, the enforcement of the code often means that the property has to be reconverted to the legal number of dwelling units permitted under the zoning or housing codes. This, in turn, implies not only the costs of reconversion, but the loss of income from the decrease in rental units. Frequently the owner cannot bear the cost or income loss and simply defaults on his mortgage or contract payments. The contract owner or the mortgage owner, in turn, holds a building which has a negative economic value and he also may decide not to pay the taxes or obey the order to repair. Code enforcement may also force a building into abandonment in cases where the property has been milked by its owner or its manager for a period of time and the extra costs of bringing the building up to code is considered a poor investment.

Code enforcement was not seen as a totally negative process by the broker manager we sopke to in Woodlawn. He felt that code enforcement was useful in convincing some landlords to improve maintenance in their properties. He indicated that he would refuse to manage any building where the owner would not put up the money to remove code violations. At the point when vandalism becomes persistent, both he and the owner usually decide that continued investment is useless.

The Chicago Dwellings Association, known as CDA, is a semi-public entity made up of both housing authority and other officials which was established to undertake rehabilitation of receivered buildings. While the CDA apparently has succeeded in the construction phase of the rehabilitation process, it has not been able to successfully manage more than an insignificant number of reoccupied, rehabilitated buildings in low income

neighborhoods. Representatives of CDA and a judge of the Housing Court cited instances of receivered and subsequently rehabilitated structures which were turned over to CDA only tofall into disrepair and financial difficulty within a short period of time. Many of these extensively rehabilitated dwellings are now slated for demolition. Due to this experience, CDA no longer rehabilitates receivered buildings. CDA is made receiver and manages the building during an interim period while it attempts to relocate families that remain in occupancy of a receivered building. After relocation, demolition proceeds.

The City of Chicago has no way to recover taxes on the basis of personal liability of owners of buildings. That is, if an owner of a building defaults on his taxes the city may run a tax sale and take over the properties, but it cannot recover the loss in taxes from the previous owner. Tax speculators, or "scavengers" as one judge calls them, purchase tax liens for a small fraction of the value. These tax liens then take precedence over any other existing mortgage on the property. In order to prevent the tax scavengers from actually gaining control over property after the city has demolished the structure, any scavenger is now made a party to any suit the city brings against the property.[10]

Summary of the Abandonment Problem and Process in Chicago

It appears that the extremely tight money market that has developed over the past few years has accelerated or perhaps compressed the end of the process of abandonment that began in the two neighborhoods under study between ten and fifteen years ago. The whole process included a variety of factors: 1) lack of conventional or any other legitimate form of financing for purchase, transfer, or extensive rehabilitation of properties by owners; 2) Rapid growth of the black population; 3) Dislocation of entire neighborhoods by redevelopment, public housing, and highway programs; 4) The presence of speculators and the wholesale use of illegitimate and exploitative practices in the sale and transfer of property; 5) The often self-defeating use of city tax and code enforcement policies. All these factors have led to housing problems of disastrous proportions and consequences. While the worst results of this process of housing disinvestment are concentrated in neighborhoods where the poorest families live, they are by no means limited to such neighborhoods. The problem has spread outside of the crisis ghetto to those areas where financial institutions anticipated the ghetto will go and has even gone beyond such peripheral areas to areas which ten years ago any financial institution would have considered a sound investment.

In this case study, we have detailed how the actual disinvestment and abandonment process occurs. Sometimes it comes through code enforcement, other times it comes when the tenancy is such that the landlord can no longer charge sufficient rents to keep up with out of pocket expenses. Still other times the buildings have been sold on a low down payment or purchase money mortgage to an under-capitalized individual, sometimes a janitor or other individual who finds he cannot make major improvements or meet crises. There were even a few instances where tenants attempted

to take over the building and manage with the rents that the building afforded. However, by the time the landlord is willing to walk away from the building and the court is willing to let the tenants themselves become receiver for a building, the income is generally insufficient to do anything but maintain the most minimal of everyday services. One judge was very proud of one case where a tenant union took over a building for the last couple of years. What made this so pathetic was the fact that it was one case out of several thousand structures that this particular judge has ordered demolished for the past several years.

FOOTNOTES

1. Study of Housing Court, Metropolitan Housing Planning Council, Chicago, Illinois, April, 1970, p. 14, and Buildings Department, City of Chicago.

2. Chicago Department of Buildings data taken from Workable Program submission to Department of Housing and Urban Development.

3. Real Estate Research Corp. Projections of Population and School Enrollments by Community Area for the City of Chicago, 1970 and 1975, Board of Education, City of Chicago, April, 1968.

4. Ibid., Section V.

5. Chicagoland, July, 1970, pp 22-26, 38-41.

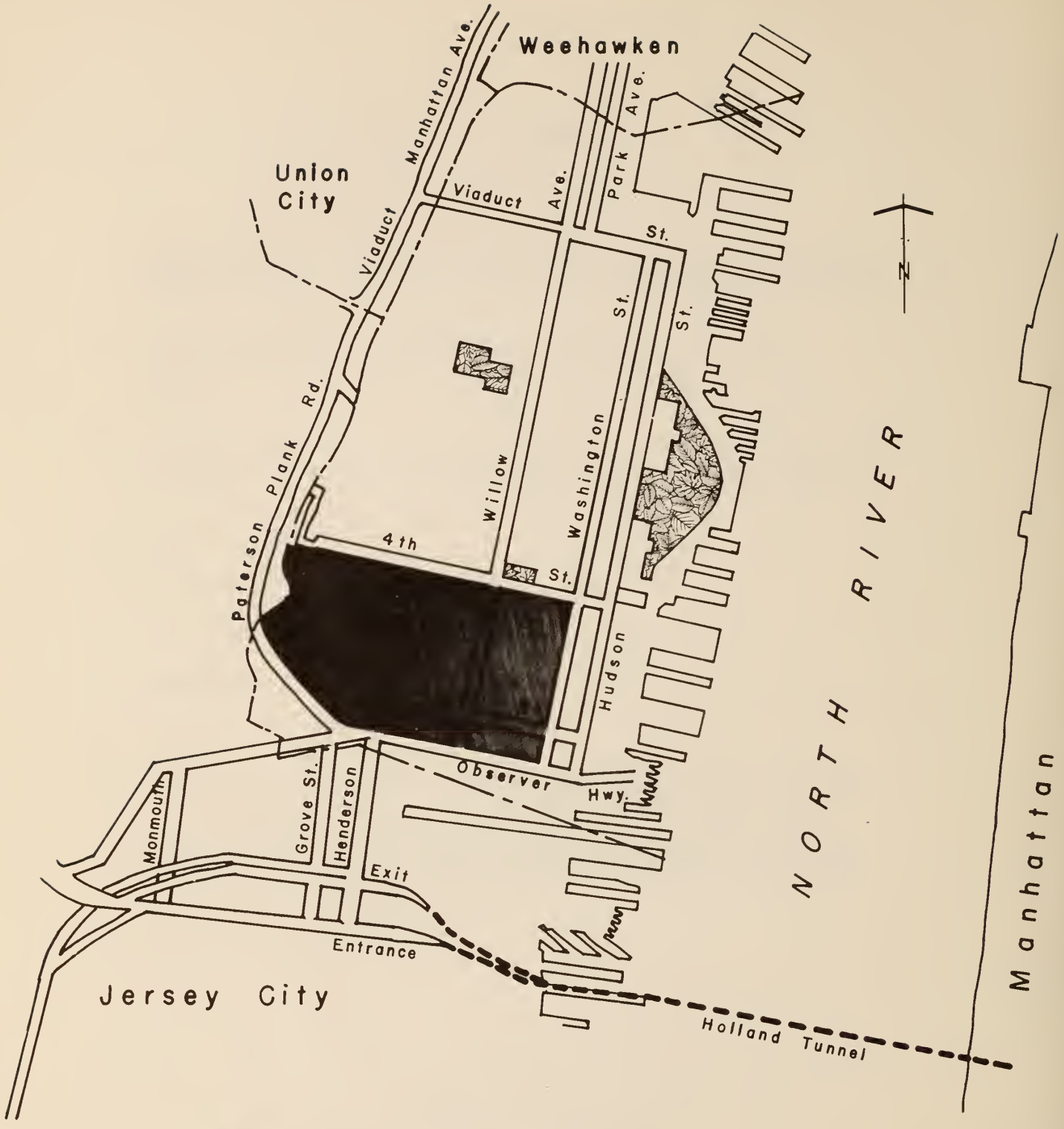
6. Local Community Fact Book of Chicago, 1960, pp. 72, 73, 98, 99.

7. Chicago Daily News, July 6, 1971, p. 8.

8. Ibid., pp. 73, 99.

9. Chicago Police Department Monthly Reports, U.S. Dept. of Labor, Bureau of Labor Statistics, "Urban Employment Survey - Report No. 2 - Chicago." G.P.O., Washington, D. C., March, 1970, Castles of the Poor: A Study of Housing Conditions of Public Aid Families in Cook County, Illinois, Cook County Department of Public Aid, September, 1969.

10. Interview with Judge Kral.



MODEL NEIGHBORHOOD

Scale in Feet
1000 0 1000 2000

HOBOKEN

CASE STUDY - HOBOKEN, NEW JERSEY

Hoboken is a city of approximately 45,000 people located directly across the Hudson River from Manhattan. The city was developed primarily as an industrial import city approximately fifty years ago. Waterfront industrial activities have declined drastically over the past twenty years, but a number of very large manufacturing firms have remained in Hoboken. Hoboken is primarily a working class city containing very few middle class or upper middle class residential areas. It may be viewed as a working class neighborhood within the metropolitan region of New York and northeastern New Jersey.

The city has undergone considerable ethnic transition over the years. It began early in the 19th Century as a largely German area, but there soon followed a heavy Irish influx. The Irish were later displaced by Italians who still make up the predominant group within the city. Over the past ten years, Puerto Ricans and Negroes have moved into the city in increasing numbers. In 1960, for example, 3.4 percent of the city's population was black, and 11 percent was Puerto Rican. In 1970, blacks constituted approximately 10 percent and Puerto Ricans approximately 30 percent of the city's total population.[1]

Ownership Characteristics in Hoboken

At first glance, Hoboken appears to be a city characterized by an owner occupied housing stock. In 1960, 64 percent of all of the structures in the city were classified as owner occupied. At the same time, however, only 13.7 percent of the city's 16,436 housing units were found to be similarly occupied.[2] This suggests that a significant portion of the total inventory was held by resident, rather than by absentee landlords. Even with this preferred form of tenure, close to 25 percent of the total housing inventory was classified as either deteriorating or dilapidated in 1960.[3] While attempts have been made by recent immigrant groups (primarily Puerto Rican and Yugoslavian) to become homeowners, our informants have indicated that, if anything, the percentage of units held by absentee landlords has markedly increased during the past decade.

Characteristics of the Housing Stock

Hoboken's housing stock, which primarily consists of railroad flats, 3-4 story brick and stone structures, and 2-4 story frame buildings, is quite old. In 1960, 91 percent of the stock was at least fifty years old. Furthermore, construction activity during the past ten years has done nothing to significantly reduce this figure. The city's housing is also crowded. In 1960, approximately 14 percent of all units were occupied by more than 1.01 persons per room.[4] Finally, the market for standard housing has been extremely tight. In 1969, an FHA Vacancy Survey uncovered only 154 rental units (less than 1 percent) that were of sound quality and available for occupancy.[5]

The Hoboken Model Neighborhood

The Hoboken Model Neighborhood covers the southern third of the city, and includes approximately 15,000 people in 5,000 dwelling units, which are the oldest and the most deteriorated of a generally deteriorated and old housing stock.[6] This area was the focus of our survey since it is in the Model Neighborhood where practically all demolition and abandonment has occurred over the past five years. Since 1965, one hundred structures containing between 400 and 600 dwelling units have been demolished by the city. An additional 25 to 30 buildings containing approximately 100 dwelling units stand abandoned and vacant awaiting demolition.[7] The buildings in the Model Neighborhood are predominately tenement structures four and five stories tall on 25 X 100 ft. lots. Slightly more than fifty percent of residential structures are masonry and the remainder are frame. The rental units are generally cold water railroad flats; that is, they have no central heating and there are typically two apartments on each floor that run side by side, from back to front with rooms that connect without a central hallway. While densities in the model neighborhood are quite high, there has been a considerable thinning out over the past ten years or so. There are scattered vacant lots throughout the model neighborhood which were formerly occupied by structures demolished in the last few years. During the month of July, 1970, a survey was done to compare a sample of buildings that had been studied in 1965. It was found that 10% of the structures that were included in the sample in 1965 are no longer standing.[8]

Public Policy Related to Abandonment

Code enforcement plays only a minimal role in the housing abandonment process in Hoboken. While there is a Housing Squad which attempts to inspect buildings on a systematic basis, code inspections occur and the code is enforced primarily on a complaint basis. The municipal government has a very severe income problem and is very anxious to keep all potential taxpayers on the tax rolls. The tax rate is one of the highest if not the highest in the country -- $83.40 per $1,000 assessed value at 100% assessment. If an enforcement procedure threatens to drive a piece of property off the market, the city may negotiate in an attempt to keep the property in occupancy as a tax payer.[9]

Code enforcement itself appears to be applied vigorously only in those instances where a property has fallen in tax arrears. At that point, the city appears to lose interest in keeping the property in occupancy and moves vigorously to force the building either into improved conditions or off the market. In the Model Neighborhood this approach has resulted in a demolition policy which has led to the destruction of approximately one hundred buildings with the help of a federal demolition grant.[10]

Investment Climate and Investment Policies in Hoboken

A real estate broker and two bankers were interviewed and provided corroborating information. Essentially this information suggests that there are no conventional mortgage funds available anywhere in Hoboken for the financing of new construction, the improvement of existing buildings, or the transfer of existing buildings from one owner to another. This seems to have been true for the entire city for at least three to four years. Officers of the two banks interviewed indicate that they no longer hold mortgages in this area. This suggests that all mortgages that they once held have been paid off and have not been refinanced.

This lack of reasonable conventional funds leads to abandonment in two ways. An owner desiring to improve may or may not be able to borrow some additional money from family or other sources to make improvements on the property. If he uses a finance company loan, his rent structure then must meet an inflated debt structure. The final abandonment process in such an instance seems to be less of a long period of disinvestment on the part of this owner than a response to a crisis situation. If a fire occurs, a boiler breaks down, or if a major structural improvement is required, such an owner is unable to find the funds to correct this deficiency. He may or may not at that point be able to meet his tax bill, particularly if the deficiency has led to any loss of income from tenants. At the point where he falls in arrears on his taxes, the city compounds his problem by vigorous code enforcement. Discouragement then sets in and he may simply walk away from the building.

The second kind of abandonment is more typical of the other cities investigated in the study. In this case a former owner occupant leaves the neighborhood and puts his property in the hands of a real estate agent or attempts to manage it himself from a distance. At the point when he no longer supervises tenant selection, the process of disinvestment begins to accelerate. When a crisis emerges such as described above, the owner is unable to find money from conventional sources to make a major improvement or to repair a major defect and makes the decision at that point that the further investment is simply not worth it. The very high cost of fire insurance in Hoboken is another factor which exacerbates the problem. Owners of properties simply do not purchase high cost insurance.[11] If a fire or similar normally insured kind of damage occurs, many owners cannot or do not choose to invest in major repairs.

Summary and Conclusion

While abandonment in Hoboken is a very real and growing problem, it is not recognized as such. The city is faced with a serious decline in its tax base which it identifies more as a problem of fleeing industry rather than a substantial reduction in the housing supply. But the problem

is very real and is particularly acute in the Model Neighborhood where the oldest housing is located. Here the future does not portend well: there is no reason to believe that the process will not eventually remove a much greater portion of the housing supply from the market. The gravity of the situation is compounded by the fact that there is a very intense housing shortage in the city.

Housing abandonment in Hoboken is uncomplicated by factors of intensive code enforcement programs or the existence of public rent control policies or laws. It appears to be a clear function of the housing market and the lack of interest of the investment institutions and/or entrepreneurs to supply housing. The demand is more than adequate but the supply is diminishing. The only public policy which may aggravate the poor market climate is the very high tax rate. However, even this appears to be somewhat negotiable and new investors can usually arrange for the city to at least hold taxes constant for a period of time necessary to insure a reasonable return on an investment.

The only money going into the improvement or transfer of properties then is personal savings or loans made to individuals at very high interest rates. The effects of this disinvestment by conventional financial institutions is so far only apparent in the lack of any new construction activity. There is considerable pride of ownership and a considerable amount of home improvement activity. How long personal savings can be substituted for a normal mortgage financing remains to be seen. The situation in Hoboken now is clearly on the decline. Little if any new construction is going on and housing is gradually being removed from the market in the better parts of the city and more rapidly being removed in the older parts of the city. There is no reason to believe that the vacuum created by this process will eventually lead to an attractive investment opportunity for anyone, since as the abandonment proceeds the quality of city services and facilities declines at perhaps a concomitant pace.

FOOTNOTES

CASE STUDY - HOBOKEN, NEW JERSEY

[1]Report of the Hoboken Community Renewal Program, 1964 and 1960 Census of Population.

[2]1960 Census of Housing.

[3]Ibid.

[4]Report of the Hoboken Community Renewal Program, 1964.

[5]Vacancy Survey, Federal Housing Administration, September 2, 1969.

[6]Unpublished survey data compiled by the Hoboken City Demonstration Agency.

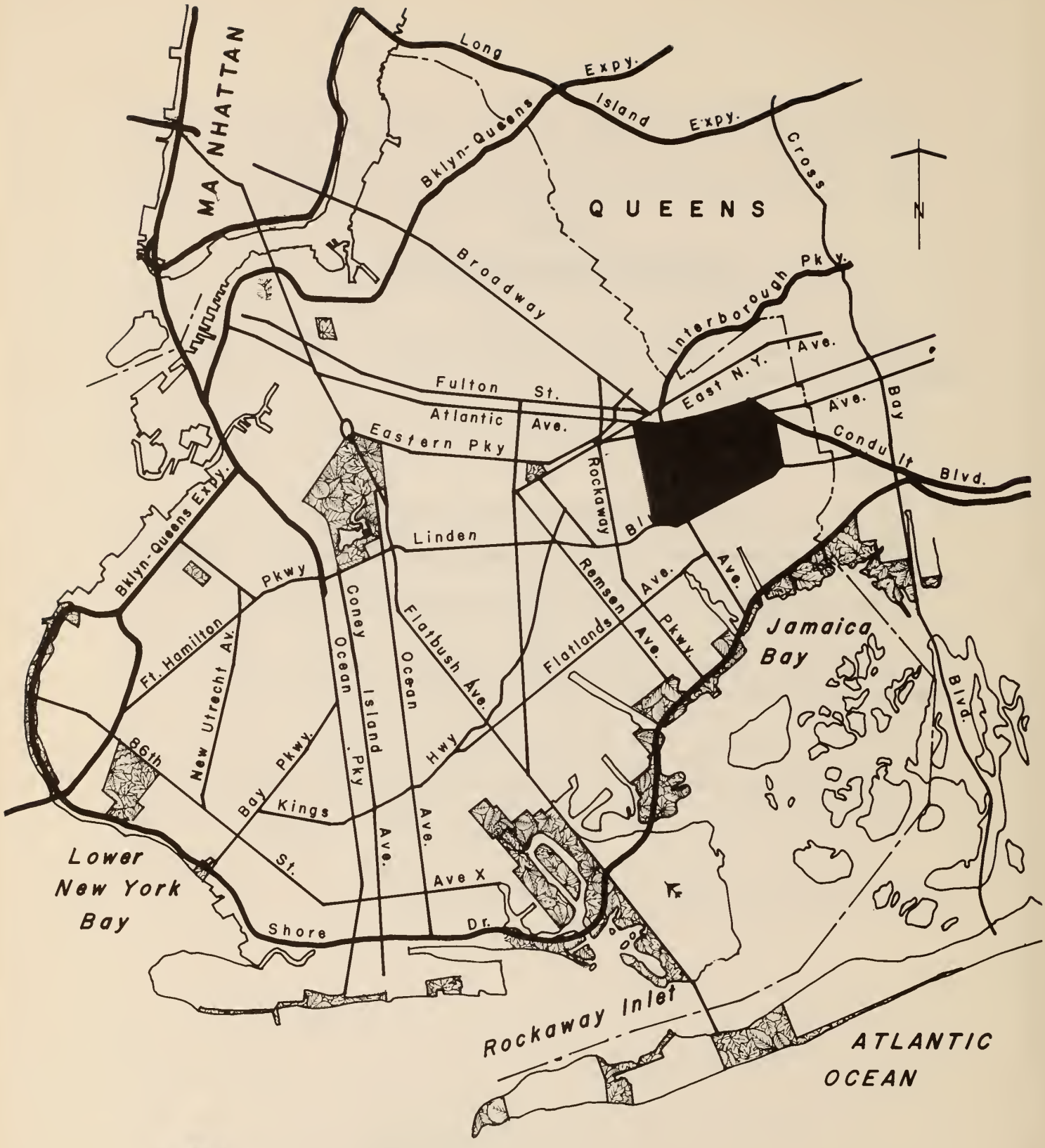
[7]Interview with Mr. Robert Schermer, Director, Code Enforcement Program, City of Hoboken, June 19, 1970.

[8]From the records of the Hoboken Model Cities Agency.

[9]From an interview with City of Hoboken tax officials, June 22, 1970.

[10]From the records of the Hoboken Code Enforcement Program.

[11]According to a spokesman for the Fire Department, City of Hoboken, insurance rates have tripled in the past two years.


MANHATTAN
Long Island Expy.
Bklyn-Queens Expy.
Cross Island Expy.
QUEENS
N
Broadway
Interborough Pky.
Fulton St.
Atlantic Ave.
Eastern Pky
East N.Y. Ave.
Bay Ave.
Conduit Blvd.
Rockaway Bl
Bklyn-Queens Expy.
Linden
Pkwy
Coney Island Ocean Pky
Flatbush Ave.
Ocean Hwy
Remsen Ave.
Ave.
Flatlands Ave.
Pkwy.
Jamaica Bay
Ft. Hamilton
New Utrecht Av.
86th
Bay Pkwy.
Kings
St.
Ave.
Ave X
Shore Dr.
Blvd.
Lower New York Bay
Rockaway Inlet
ATLANTIC OCEAN
EAST NEW YORK
Scale in Miles
.5 0 1 2

BROOKLYN

CASE STUDY - NEW YORK CITY

The population of New York City, the largest city in the United States, has held steady at approximately 8 million people over the past decade. Similar to a number of major U.S. cities, the changing population distribution has reflected a greater number of Negroes and Puerto Ricans, fewer white families, and a greater number of children. Economically, median family incomes are lower in the city than in the surrounding suburbs, and the number of families and individuals eligible for public assistance continues to rise.[1]

There is a tremendous variety in the character and quality of housing and neighborhoods in New York City. Harlem and lower Manhattan, the southern part of the Bronx and a great deal of western Brooklyn were built up prior to or in the decades immediately following the turn of the century in tenement houses or in four story row-house development. The central and northern parts of Manhattan, great reaches of the Bronx, Queens and Brooklyn were developed subsequently with elevator apartment construction. Beyond the high density apartment districts of Brooklyn, Queens and the Bronx are low density row house and detached single family neighborhoods. Brooklyn and Manhattan have the oldest housing stock; Manhattan, Queens and Staten Island have the most viable real estate markets - Manhattan being the hub of office and cultural activities, Queens and Staten Island having the newest housing stock and having the smallest proportion of poor Negroes and Puerto Ricans.[2]

New York has the highest proportion of renters of any city in the country -- approximately two million out of a total of 2.7 million dwelling units are occupied by renters.[3] Because of this proportion, there has been political resistance to the removal of rent controls that were instituted during World War II - most housing units of more than two families and built prior to 1947 are still controlled. Owners of such buildings can raise rents by a controlled amount when new tenants move in or when the property can be shown to be returning less than 6% on the owner's investment (this regulation has recently been changed to allow a more reasonable return in view of today's money market).

Rent Control and Abandonment

Since 1947, there has been a constant struggle over rent control with landlords maintaining that controls are stifling the housing market and causing slums. Since 1967, the abandonment problem has emerged and landlords have added this to the list of the ill effects of rent control.

From the evidence available, it is difficult to prove a linkage between abandonment and rent control. Most housing that is abandoned is rent controlled, and according to the Sternlieb study all housing that is caught up in the abandonment process (using tax arrearage as the prime

indicator) is rent controlled.[5] However, the tax arrearage information also indicates that it is the oldest, least desirable tenement houses that are being abandoned; it is highly questionable whether such housing would produce substantially more income in a free rent market.

The Likely Scale of Abandonment

The Sternlieb study referred to above suggests that about 15% of rent controlled buildings are one year or more behind in paying real estate taxes[6] - a fact which may provide a reasonable indication of the scale of potential abandonment over the next two to six years. This 15% translates to approximately 7% of the total housing supply of New York City that will be abandoned if this indicator proves accurate.

The actual number of abandoned units is much harder to estimate. In reviewing the 1968 special housing census, one analyst suggest 100,000 housing units were abandoned between 1965 and 1968.[7] However, this is probably an overstatement since 50% of these were rooming-house type units and enumeration techniques tended to overstate abandoned units.[8] In any case, it appears that less than one per cent was abandoned during the census period. How much was abandoned prior to the census is not known, but there does not appear to have been a noticeable accumulation.

Abandonment as a Neighborhood Phenomenon in New York City - East New York

While abandonment may be concentrated among old law tenements it is by no means confined to this housing type. The case of the East New York section of Brooklyn illustrates this point. East New York is selected here for discussion because abandonment has been a growing problem there, and data have been collected over the past four years to measure the extent and growth of the problem.[9] However, visual inspection clearly indicates that abandonment has taken a much larger toll in the Brownsville section of Brooklyn, the area immediately west of East New York.

East New York Described

East New York was built up as a working class residential neighborhood in the 1920's and 1930's. The total population is between 100,000 and 150,000, depending upon how the boundaries are defined. The twenty-four square block section farthest west (closest to the city center) was built up primarily in new law tenement houses and the remainder is a mixture of row and semi-detached, mostly masonry houses.

The tenement house section of East New York went through a rapid transition from white to Negro and Puerto Rican during the mid-1960's. During this period, many of the home owning areas outside of the tenement district were block busted by real estate speculators. Others were purchased by speculators and held for rental purposes. The transition in the tenement

area appears to have been in part precipitated by the joint factors of softness in the then occupancy pattern of the tenements and a sudden increase in demand for housing by poor Negroes and Puerto Ricans. The tenements were occupied in many cases by elderly households or families whose children had grown and found housing outside of the neighborhood. The demand for this housing went up when tens of thousands of households were displaced during the late 1950's and early 1960's by massive clearance activities which made way for several large public housing projects in adjacent Brownsville.

Abandonment throughout East New York was noticed as early as 1966 and has increased steadily since then. Studies in February 1967 and December 1969 show that abandoned residential buildings have increased from 117 to 267 or presently 6% of all residential structures in the study area. In an eleven block portion of the study area which is currently being cleared for public federally aided moderate income housing, abandonment had reached a 10% level.

Investment Climate and Policies in East New York

Disinvestment in East New York, like Lawndale in Chicago, occurred with catastrophic rapidity between 1964 and 1966. While the rapid downgrading of property and sales to undercapitalized owners did not cause the kinds of bank closings as in Chicago and Cleveland, many institutions suffered substantial losses. The tenement house properties did not change ownership during the transition period; the lack of new white tenants caused a depression in the market for such buildings. Discouraged owners began to rent to what they considered an undesirable tenancy, funds for reinvestment in these buildings were cut off by the banks, and owners cut down on maintenance.

Sales of the smaller structures to Negro and Puerto Rican buyers were financed by conventional means, usually FHA insured during the onset of the blockbusting. As soon as the mortgage institutions realized the fact that the entire turnover of neighborhoods was bad investment policy, speculators began to market their paper to usurious finance companies and take back high interest purchase money mortgages. Today, there is no conventional or high risk money available in East New York.

Social Conditions

As the discussion above indicates, the tenement house portion of East New York became a "crisis ghetto" over a very short time period. Crime and delinquency rates, the incidence of fires and other problem indices became as high as any in New York City. Negro and Puerto Rican home purchasers who moved to nearby areas in expectation of finding a comfortable neighborhood in which to raise their families had their hopes dashed. The neighborhood's quality dissipated almost as rapidly as they moved in.

Public Policies in East New York

The intervention strategies attempted by the city in East New York over the past few years are practically a catalogue of all the various programs and their variations ever tried in this city. Code enforcement, "Area Services", a "neighborhood city hall", anti-poverty programs, demolition programs, public housing, vest pocket parks, the municipal loan program, 221 (d3), 236 federally subsidized housing, and Model Cities. While these efforts and more have had some noticeable impact on isolated sites within East New York, in general social and physical conditions have steadily deteriorated. More housing has left the market in East New York than is being built under the public improvement programs planned or underway and no private housing investment money is flowing into the community. The city has also been accused of a destructive intervention with regard to public assistance.

One of the complaints of long time residents who have witnessed the change over the past few years is that the city has used the neighborhood as a "welfare dumping ground". This suggests that the city has been a knowing partner to the downgrading of the neighborhood and the housing supply by placing a great number of public assistance clients (who are often burdened with an excess of social problems) in East New York. While the city denies any such policy and claims that housing for welfare clients is scarce and must be accepted where offered, it is clear that the city itself subsidizes a large share of the market for housing in the "crisis ghettos". Some have suggested that this fact indicates that the city has both the responsibility and the leverage to intervene in the housing market of such areas.

Building code enforcement in New York City is not carried out particularly stringently or punitively. More worrisome to the marginal owner in New York is the mechanism for redress of grievances open to the tenants of rent controlled buildings. Under the rent control law, rents can be reduced if a landlord withdraws or fails to provide essential services. In the worst buildings, the rent control board often reduces rents to a token one dollar to force the owner to improve his building. In situations like East New York, this is frequently the point at which an owner decided to abandon. There is another law (the Speigel Act) which permits public assistance money to be withheld from owners of buildings with code violations. Landlords do not complain about the injustice of these two laws but about the loss of income that occurs due to bureaucratic delays even if they rectify a complaint.

In summary, the municipal government of New York, as in other cities, seems to be working at cross purposes with itself. It does not have a clear idea of the process by which crisis ghettos are formed and housing disinvestment takes place. Its public policies and programs for dealing with slums and poor people are based on conflicting diagnoses of the problem to be addressed.

Summary

No attempt has been made here to provide a comprehensive picture of the abandonment problem in New York City - the city is simply too big and the kinds of quick insights that were attempted in the other survey cities were not feasible. We know that abandonment is concentrated primarily in the South Bronx and in Brownsville; but little data is yet available about its causes or extent. We also know that disinvestment by financial institutions is by no means limited to the "crisis ghettos" such as the South Bronx, Brownsville and East New York but has spread to middle income Negro apartment neighborhoods and neighborhoods in racial transition.[10]

In spite of landlord representations to the contrary, abandonment has not yet reached crises proportions as a city-wide phenomenon. In a few neighborhoods it has reached the 6% level - in a few blocks it has been more devastating. However, the future does not portend well. Tax data and other disinvestment indicators suggest that abandonment may well increase and spread to vast areas of the older city.

The effort here has been to give the parameters of the problem in New York City. Also the intent has been to illustrate that at least in one neighborhood, many of the same kinds of situations have developed as in other cities with an abandonment problem.

FOOTNOTES

1. Blanche Bernstein, "The Distribution of Income in New York City," Public Interest, No. 20, Summer, 1970, pp. 101-116.

2. George Sternlieb, The Urban Housing Dilemma, City of New York, Housing and Development Administration, 1970, Chapter 2.

3. Ibid., p. 56.

4. New York Times, December 16, 1970, p. 34.

5. George Sternlieb, Op. Ct., p. 706.

6. Ibid., pp. 652-654.

7. Frank Kristof, "Housing: The Economic Facets of New York City's Problems," in Lyle Fitch and Annmarie Walsh (Eds.) Agenda for a City (New York: Institute of Public Administration, 1970), p. 9.

8. Sylvia Wolosoff, Memorandum, February 3, 1970. (Mimeographed).

9. All data on East New York is from an unpublished survey done by Walter Thabit, Planning Consultant, 17 Murray Street, New York, New York.

10. New York Times, July 26, 1970, Section S, p. 1.

Eight Mile Rd.
Outer Dr.
Mound Rd.
Gratiot Ave.
Kelly Rd.
John Lodge Frwy.
Outer Dr
Frwy.
Woodward Ave.
Ford Frwy.
Outer Dr.
Ford Blvd
River Ave.
Telegram Rd.
Southfield
Edsel Ford Rd.
Ave.
Michigan
Dearborn
Outer Dr.
Lincoln Park
Detroit River
Windsor
LAKE ST. CLAIR
CANADA
N
VIRGINIA PARK
Scale in Miles
1 0 1 2 3 4

DETROIT

CASE STUDY - DETROIT, MICHIGAN

Population and Housing Trends

Like most central cities within major metropolitan areas, Detroit has been declining in total population for the past twenty-five years. Its housing supply is diminishing and increasingly occupied by Negroes.

The City of Detroit began to lose population during the decade of the 1950's. The 1960 Census of Population recorded a 9 percent decrease in total population, and preliminary estimates from the 1970 Census indicate that the city has continued to lose population but at a slightly increasing rate. While the city lost upwards of 179,000 residents during the past decade, (1960-1970) the adjoining suburban counties[1] (Wayne, Oakland, Macomb) registered a gain of approximately 460,000.

Black migration into Detroit was highest during the years 1940-1960. In that period the black population rose from 149,119 persons or 9.2 percent of the total population, to 482,229 or 28.9 percent of the total.[2] In 1964, the black population of Detroit was estimated to be 520,000 persons, or one-third of the total, and preliminary data from the 1970 Census has indicated that blacks now account for forty-four percent of the city's total.

Detroit is unique in that the residential pattern that has been established deviates from the traditional exclusionary model that is encountered in many central cities. Unlike Cleveland or Chicago, blacks can be found in most community areas throughout the city. Although there is a concentration of the low-income elements of the population within five community areas (see Figure 1),[3] these areas still contain a significant number of middle class families.

Despite the low incomes of many of the families residing in the poverty areas outlined in Figure 1, close to 30 percent of the families living in the poorest areas consisting of four persons or more had, in 1968, incomes of $10,000 or more. Indeed, the median income for families with four or more persons in those areas was $7,400. While considerably less than the median for a four or more person family in the city, the statistic does indicate that there are pockets of relative affluence within these designated poverty areas. Moreover, the large number of unrelated individuals (45 percent of whom had incomes below $1,750) within these areas, suggests that the distribution of poor families is far from concentrated. City-wide, in 1968, the percentage of one-person households was 27 percent. By comparison, the figure for the poverty areas was 46 percent.[4]

In 1965, Detroit had a lower unemployment rate and a higher per capita income than any other major central city in the United States.

The prosperity generated by the income-elastic auto industry had a significant effect on the housing demand exercised by blacks. Between 1950 and 1960 black homeownership increased by 33,600 units, and by 1970 blacks are expected to be the owner-occupants of 90,000 housing units. Moreover, close to 50 percent of the black households in the city are expected to be homeowners by 1970.[5]

The age of the stock occupied by blacks indicates that, by and large, they have established themselves as homeowners in units vacated by suburbanizing whites. While black movement into the suburban counties surrounding the central city has been insignificant (between 1950-60 the percent of blacks, in Wayne, Oakland, and Macomb counties actually declined), there has been considerable intra-city migration. Only the far northeast and northwest sections of the city have remained exclusively white.[6]

Housing construction has mirrored the substantial population shifts which have occurred in the past twenty years. Figure 2 indicates that the level of residential construction activity within the city has been insignificant for the past fifteen years. While housing starts within the city have markedly declined, demolition activity during the 1960's has proceeded at an annual rate of approximately 3,200 units. The City's urban renewal program has demolished close to 10,000 units from 1962-1970, and during the same period a Dangerous Buildings Program operated under city ordinances 676-F and 707-F has accounted for the removal of another 7,000 units. In total, demolitions exceeded starts by 14,695 units from 1960-69. (See Appendix).

Demolitions have not kept pace with population loss; however, the vacancy rate has not increased appreciably over recent years. While there is no clear explanation for this, indications are that the combination of high rates of household formation and unrecorded abandonment has absorbed the housing made available through outmigration and maintained the housing shortage that exists in Detroit as well as other central cities. Table I indicates that there has been a recent increase in housing vacancies within the city; this may be the result of a recent dimunition in demolition activity.

TABLE I

Vacant Units, City of Detroit

	1960	11/66	5/68	8/69
Total Vacant.....	38,362	26,500	24,200	31,300
Available Vacant..	30,748	16,100	13,200	17,600
Other Vacant.....	7,614	10,400	11,000	13,700

Source: 1960 Census
1966-68 FHA Estimate
1969 Detroit CRP

In addition to the above surveys, a July 1970 estimate indicates that there are 974 boarded up units and 3,000 vacant but not abandoned buildings within the city.[8] Estimating the average number of dwelling units per structure as 1.55 (Detroit is a single-family city) an estimate of 6,129 housing units are currently vacant and abandoned.

Neighborhood Study

Since housing abandonment is not a highly concentrated phenomenon in Detroit (this generalization would not apply to the fringes of urban renewal areas) it was necessary to select a study area that presented a relatively undistorted model of the operation of the housing market within a community characterized neither by affluence, nor by poverty. Virginia Park, we believe, is such a community in that it has some of the problems and some of the virtues that are present in most of Detroit's community areas.

To illustrate, most of the housing within the area is in good condition, but approximately 20 percent of the structures are in need of major repairs, and 5 percent are unfit for habitation. While the area contains many well-maintained and well-furnished single-family homes occupied by middle class blacks, forty-four percent of the community's families have annual incomes below $5,000, and only three out of every ten households own or are buying their homes. The housing stock of the area is dominated by one and two-family structures, but approximately two-thirds of the 8,900 housing units in the area are located in apartment buildings.

The mixture of single and multi-family structures has led to a diversity in the occupancy of the area that is not reflected in the aggregate data reported on economic or social conditions. (As one local analyst has stated "...by combining the statistics of the Negro 'haves' with the Negro 'have nots' we get greatly distorted averages. Such figures tend to make the Negro middle class seem less affluent and the Negro lower class seem relatively less disadvantaged").[9] Virginia Park contains large elements of middle and lower class blacks, and this coaescence of income groups is responsible for the overall stability of the area. The area is not a crisis ghetto, but it is also not a restricted enclave for the black bourgeoise. And this lack of economic and social polarization is acting to preserve the housing stock in the area.

Development History of Virginia Park

Virginia Park was built up in the years 1900-1920. At first, construction activity was limited to one and two family homes, but when the population of the city more than doubled during the years 1910-1920 a number of multi-family, rental structures were erected to satisfy the increasing demand. Builders constructed multi-family dwellings on block corners. The predominant pattern was a row of one or two family, detached dwellings flanked on either corner by five or six story tenements.

When a multi-family structure was located at mid-block, it was usually adjacent to other buildings of the same scale. Very few blocks, however, became exclusively multi-family.

Virginia Park, with its supply of multi-family structures, was a community that was easily converted to black occupancy. As in other transition areas within central cities such as Chicago's Lawndale, and St. Louis' West End, speculative activity was rampant. The market in land contracts (between 1950-1960 over 33,000 blacks became homeowners) was, according to a local real estate broker highly lucrative. At the same time, speculators, secure in the knowledge that they could levy a racial premium in the form of higher rents on the blacks, began to acquire multi-family dwellings. The initial black face caused many whites to flee, but those who resisted the initial impulse were forced to move when they were advised by the new owners to expect substantial rent increases. Thus the pattern established in Virginia Park was one of sale on land contract to the middle-class blacks, and rental occupancy of the multi-family structures by those with lesser incomes. Area residents, former speculators, and community planners believe that the management strategy played out in many of the multi-family and the converted two-family units was one of income maximization through maintenance disinvestment and overcrowded occupancy.

Code enforcement in Virginia Park came after speculation and disinvestment -- and thus as in Chicago's Lawndale, too late to do anything but exacerbate the neighborhood's problems.

Not all buildings, however, were under the control of either speculators or professional milkers. A significant number were retained by the original owners or were passed along through inheritance. But despite the non-existence of a deliberate dis-investment policy, structures, mostly multi-family under this form of ownership still fell out of the inventory. Landlords claimed the rental income no longer covered operating expenses (even in cases where there was no debt service), and tenants claimed that vacancies were caused by historically inefficient management.

At present, there are 90 vacant structures in the Virginia Park community. The overwhelming majority of these are multi-family structures that are randomly distributed throughout the area.[10] Owners of rental properties in the Virginia Park area are finding it increasingly difficult to operate at either a profit or at the break-even point, but the decline in profitability in this segment of the inventory will not, we believe, result in the total collapse of the community as we have seen in other mid-western cities. This judgment is based primarily on three factors:

1. Persistent owner-occupancy by the black middle class. This prevents the formation of the crisis ghetto.

2. The quality of the existing owner-occupied housing stock in Virginia Park and immediately adjacent areas.

3. The continued flow of conventional mortgage funds for home-ownership.

Undoubtedly there are other factors such as the dimunition in clearance activity for urban renewal which have an impact on the problem in this area, but we do believe that the above are the principal deterrents.

Public Policies Which Influence Abandonment

Urban renewal and land clearance programs and code enforcement policies have had profound and negative influence on the housing problems faced by Detroit.

Perhaps the most important contributor to Detroit's housing problem has been the clearance activity conducted under the urban renewal program. During the 1960's approximately 10,000 housing units were removed from the inventory by this process, and by July, 1970 a total of 3,590 units were constructed on land cleared for renewal. Moreover, the overwhelming majority of the demolished units were inhabited by low and moderate income tenants, and yet by January, 1970, 948 units were constructed as replacements for those removed from the low and moderate income sector.[11]

The dislocation which resulted from the clearance exerted a great deal of pressure on the market which in turn either sustained or increased the profitability of marginally acceptable housing units. It also induced speculators to purchase properties vacated by whites and subdivide them for black occupancy. For example, in the past four years approximately 200 housing units have been abandoned in the 25 block area bounded by Mack, Beaubien, Fisher Freeway and Woodward. All of these units were located in large, single-family, detached structures which were subdivided and then allowed to deteriorate.[12]

Bulldozer clearance also acted to increase the number of absentee landlords. Many white home-owners financed their exodus to the suburbs by renting out what had previously been an owner-occupied structure to those displaced by renewal.

It was evident from touring the city's renwal areas that there were a number of abandoned, single-family homes immediately adjacent to or within neighborhoods designated for clearance. For example, the Elmwood III renewal area contains 1,200 housing units. In July 1970, 250 of those units were vacant, and of that number about 100 appeared to be derelict. Further, there was approximately one fire per evening in this area over a three-month period during the spring of this year. This, together with a reported increase of crimes against persons, suggest that the area will soon be deserted.

Code enforcement in Detroit followed the pattern established in Chicago, Cleveland, St. Louis. Basically, it was non-existent in the late 1940's, 1950's, and early 1960's, and then stringently enforced in the latter part of the 1960's. The history of code enforcement in Detroit can be characterized as a program which until recently operated in name only. An illustration of how the program operated (or failed to operate) in the 1940's and 1950's was given to us by a community planner for the Woodward-East area. In the early 1940's the war industries were in desperate need of personnel. Blacks from the South were recruited to work in the industrial complex which surrounds the city, and the subsequent influx created a housing shortage. During the same period the racial composition of Woodward East began to change. A local realty firm purchased a substantial number of large detached homes that were originally erected in the late 1800's. The mansion-type structures were subsequently subdivided (in many cases illegally) for intensive occupancy. In the 1960's the housing inspectors finally came upon these structures and attempted to enforce the appropriate statutes. However, most of the units were by this time either beyond repair or too expensive to rehabilitate. Consequently the structures were either demolished, condemned, or abandoned.[13]

Virginia Park, as we have indicated, is another area where a lack of initial code enforcement and blocking of illegal conversion activity has led to abandonment. In this and other areas of the city, the disinvestment in maintenance (or the rise in the level of tenant vandalism) has reached the stage where the cost of repair either exceeds estimates for new construction, or bears no realistic relationship to the incomes of potential residents. In many instances, code enforcement in Detroit acts as the "tipping point" in the decision to abandon a property, and as such it is reducing rather than increasing the supply of housing available to the poor.[1]

Investment Climate and Policy

Unlike Chicago, Cleveland, and St. Louis, the flow of conventional mortgage funds into the central city has not been cut off. In Detroit, certain financial institutions have had to absorb losses caused by the rapid decline in the viability of certain rental properties in most sections of the city. Essentially, they engage in a creaming process. That is, they evaluate applications for mortgage loans on the basis of stringent criteria. There appears to be little or no red-lining and a representative of the first black owned and operated mortgage company within the city was quite certain that any individual, irrespective of race, could secure a conventional mortgage if his or her income were sufficient to amortize principal and interest, and if there was no past history of poor financial management.

It should be emphasized that such policies differ drastically from those uncovered in other mid-western cities. Whereas the Mayor of Cleveland

would find it next to impossible to mortgage a home on the east side of his city, the typical factory worker would not find it unduly difficult to purchase a home with backing from a local financial institution in most areas of Detroit.

We have found this attitude of cautious optimism to be a significant deterrent to the spread of housing abandonment within the city. In Atlanta and Detroit we have found evidence which indicates that local financial institutions still have an interest in the central city, and significantly both of these cities are not burdened by a staggering increase in the amount of housing being abandoned.

Reports on repossessions and delinquencies in Detroit have been mixed. Advance Mortgage Company claimed that it was taking losses in the high crime rate areas of the city and attributed this phenomenon to a lack of credit responsibility on the part of inner city residents. Another firm claimed that collection difficulties were mainly caused by families who were separating rather than by a lack of ability or willingness to pay. Commercial banks and savings and loan associations reported few major repossession or delinquency problems. Unfortunately, we were unable to collect data from private lenders who have been active in transition and deteriorating neighborhoods. Their reluctance, with one exception, to disclose any information concerning their portfolios leaves us without a critical data point. All of the individuals from the above institutions, however, forecast a significant increase in both foreclosures and delinquencies if there were not a reverse in the current economic situation.

In 1965, less than 5 percent of the total housing units within the city were other than single-family units. This physical pattern, in our opinion, has been an important contributor not only to neighborhood stability, but also to the maintenance of institutional mortgage investment in the central city. Had the dominant pattern of settlement been one of large scale rental tenure, we doubt that neighborhoods would have been able to withstand the pressures of speculation and racial transition, or that banks would have continued to write mortgages on properties located within the city.

Summary

The Detroit experience constitutes a significant deviation from what has occurred in the other eastern and mid-western cities we have examined. The city has an abandonment problem, but it does not begin to approach the magnitude of that observed in Chicago, Cleveland, St. Louis, or New York.

The critical question is why has the problem not grown to crisis proportions within this particular city. The answer, we believe, lies in the following:

1. Detroit has a higher incidence of black homeownership than any of the aforementioned cities. This can be attributed to the economic prosperity generated by the auto industry, the predominance of one and two-family homes, and to the availability of mortgage financing.

2. The financial institutions of Detroit have continued to invest in home mortgages within the central city. This can be attributed to a historical dearth of delinquencies and defaults.

3. When compared with the other cities investigated in this survey (with the exception of Atlanta), Detroit does not have a crisis ghetto. Indeed, the city does have pockets of desperately poor families and individuals, and it does have areas that exhibit high degrees of social pathology, but we did not uncover large areas of the city populated exclusively by the economically and socially deprived. This is due to the prevailing physical settlement pattern which keeps high, moderate and low income blacks in close proximity to each other. Detroit differs from other cities in that previously white middle class areas have, after the process of racial transition, remained middle class. The widespread panic that typically compelled middle class blacks to desert communities they had originally integrated was not observed in Detroit.

In conclusion, the factors of financial disinvestment, social chaos, and a self-fulfilling psychology exist to a lesser degree in Detroit than in the other cities we have examined, but the future is far from bright. The inability of landlords (particularly those who have inherited property) to viably manage a holding in the face of rising operational costs is a factor which will lead to a rise in the incidence of abandoned buildings. Also, if unemployment continues to increase, the wages do not rise as quickly as the costs of rental property ownership. Significantly fewer households will be able to pay the rents needed for basic shelter costs. Costs do not necessarily bear a direct relationship to price (especially in a tight market) but continuing inflation is rapidly reducing the distance between these two items.

Thus, there are contradictory forces operating on the Detroit housing market. If the forces tending toward disinvestment and abandonment -- as aided and abetted by misguided public policies -- gain dominance, the city will face a problem similar in scale and scope to that of New York, Chicago and Cleveland. If, on the other hand, the special strengths are supported and developed, the current levels of disinvestment could conceivably be reversed.

[1]The historical population patterns are reflected in the table which appears below, and the Census Bureau has reported that from 1960-1970 the population of the city went from 1,670,144 to 1,492,507. At the same time population of the SMSA rose from 3,762,360 in 1960 to 4,161,660 in 1970. For documentation of the latter see: Housing and Urban Affairs Daily, August 25, 1970, p. 143.

POPULATION IN DETROIT, 1900-1960

Year	Total Population	White Population	Negro Population	%
1900	285,704	281,575	4,111	1.4
1910	465,766	459,926	5,741	1.2
1920	993,678	952,065	40,838	4.1
1930	1,568,662	1,446,656	120,066	7.7
1940	1,623,452	1,472,662	149,119	9.2
1950	1,849,568	1,545,847	300,506	16.2
1960	1,670,144	1,182,970	482,229	28.9

Source: U.S. Census of Population

[2] NEGRO PERCENTAGE OF POPULATION OF DETROIT SMSA, 1900-1960

Civil Division	Negro Percentage of Population 1900	1910	1920	1930	1940	1950	1960
Detroit	1.4	1.2	4.1	7.7	9.2	16.2	28.9
Wayne County (excluding Detroit)	0.7	0.5	1.5	3.6	3.6	5.9	4.7
Oakland County	0.5	0.5	1.3	2.0	2.1	4.6	3.3
Macomb County	0.3	0.3	0.7	2.0	2.0	2.3	1.6
Total SMSA	1.1	1.1	3.4	6.3	7.2	11.9	14.9

Source: Population by Race, Metropolitan Detroit Area; 1900-1960 (United Community Services of Metropolitan Detroit), 1963.

[3]The areas delineated are those designated as Concentrated Employment Program (CEP) areas by the U.S. Dept. of Labor, Bureau of Labor Statistics, "Poverty - The Broad Outline," Urban Employment Survey, Report No. 1, Detroit, U.S. Govt. Printing Office, Washington, D.C., 1970.

[4]Urban Employment Survey, Op.cit., pp. 14-16. Figures indicated that 46% of the individuals in these areas were unrelated compared to 27% citywide.

[5]A Profile of the Detroit Negro: 1959-1967, op.cit., pp. 4, 14, 17.

[6]Ibid., pp. 12, 13.

[7]See Figure III.

[8]There are conflicting totals as to the number of abandoned structures in the city. An article in the Detroit Free Press of January 18, 1970, put the total at 1,300, while Mr. Joseph Vitt of the Mayor's office puts the number at 954.

[9]George Henderson, "Aspirations and Social Class: An Analysis of Educational Obsolescense," unpublished Ph.D. dissertation, Wayne State University, 1965, p. 129.

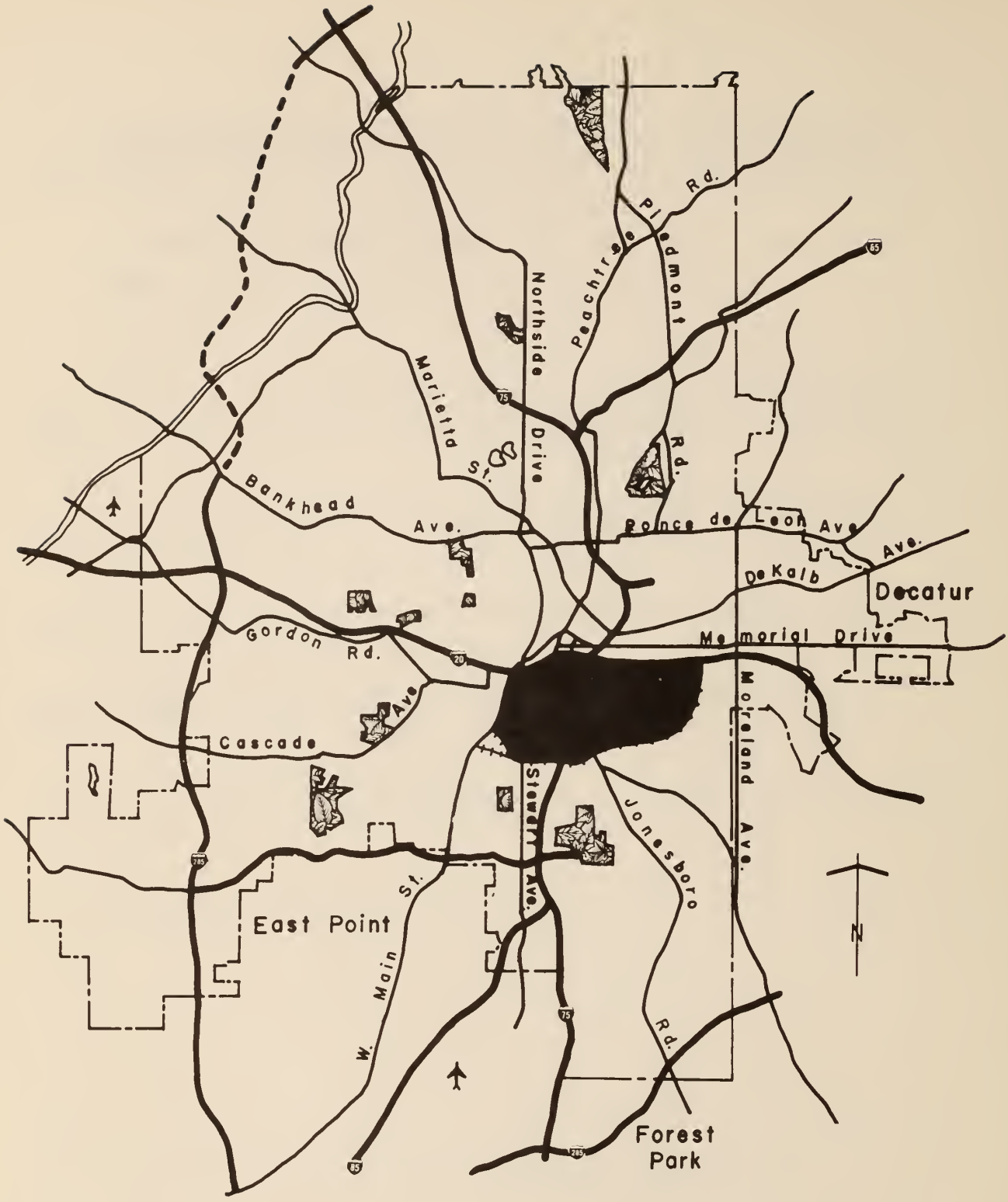
[10]Taken from a survey done for this study by the Urban Collaborative Detroit, August, 1970.

[11]See Figure IV, and: Mayor's Committee for Community Renewal, The Detroit Community Renewal Program," March, 1968. Detroit: The New City -- Summary Report: Detroit Community Renewal Program, October, 1966.

[12]From a report by William Bunting, Community Planner for the Woodward East Project, August, 1970. (Mimeographed)

[13]Ibid.

[14]Detroit News, January 18, 1970.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Northside Drive
Marietta St.
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Bankhead Ave.
Ponce de Leon Ave.
Ave.
DeKalb
Decatur
Memorial Drive
Gordon Rd.
Ave.
Cascade
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ATLANTA

CASE STUDY - ATLANTA, GEORGIA

Population and Housing Trends

Atlanta, the largest Southern city, has an extremely vital economy. The population has risen from 331,000 in 1950 to 488,000 in 1970. Metropolitan Atlanta has grown from 672,000 to 1,374,000 during the same time period.

The quality of housing was somewhat lower than most central cities according to the 1960 census. Only 75% of all residential units in Atlanta were classified as sound with all plumbing as compared with a U.S. urban average of 80% so classified.[2] The 1970 census may show that a vital center city real estate market coupled with an aggressive code enforcement program has improved or even reversed these percentages.

Atlanta is, by and large, a city of single family homes which are owned by their occupants. In 1960, 58% of all units were single family units and 43% were owner occupied. Since 1960, the proportion of multi-family units, as in most metropolitan areas, has risen faster than single family and there is an active apartment construction industry in the central city.[3]

Ethnically, the central city is fast becoming predominantly black and surrounded by white suburbs. The 1970 census indicates that the Negro population constitutes 51% of the city's total; up from 38% in 1960.[4] The pattern of black expansion has been outward from the traditional ghetto neighborhoods -- a pattern similar to that observed in the northern cities. Segregation is virtually complete and racial change occurs quickly to entire neighborhoods at a time as the rapidly growing and apparently prosperous black population pushes outward.

The Study Neighborhoods - General Description

The older parts of the Atlanta ghetto neighborhoods are included in the West Central area and in the territory designated as the Model Neighborhood, under the city's Model Cities program. In these areas, encompassing approximately 100,000 persons, housing is generally of frame construction, sited on small lots, and of highly mixed quality -- ranging from dilapidated to extremely well kept.[5] While most housing in these areas was built several decades ago, there is considerable evidence of recently constructed housing on scattered sites -- some of it in two story apartment buildings built within the last decade.

There is little visible evidence of abandonment in the neighborhoods studied; and informants indicate that it is not a problem masked by an aggressive demolition program, as in some cities included in the survey. Those buildings which are demolished, whether by owner violation or under city order (approximately 100 a month), are demolished by their owners and the property is quickly utilized for new construction.[6]

Ownership and Social Conditions in the Neighborhoods

Estimates based upon discussion with knowledgeable informants indicate that approximately 75% of the structures in the study neighborhoods are owner occupied. The remaining 25% are multi-family structures owned by investor-speculators. The activities of investor-speculators have apparently increased over the past few years as the market for modern small apartment accomodations within the older ghetto neighborhoods has expanded.

The crisis ghetto phenomenon has apparently not emerged in Atlanta. Judging from personal observations and discussions with informants there remains an economic and social mix within the older ghetto neighborhoods.[7] Migration into the older ghetto from the rural south and from smaller cities is very active -- in contrast to many of the survey cities in the north where it appears to have come to a virtual halt. Thus, the distilling out of households with the worst problems into isolated neighborhoods may yet be in store for Atlanta.

On the other hand there is an expanding black middle income population that has moved rapidly into previously all white neighborhoods -- the Kirkwood neighborhood and the West sections are currently undergoing such change. However, there appears to be no concommitant depopulation or loss of vitality of the older neighborhoods as the territory available to middle income Negroes expands.

Investment Climate and Policies

Interviews with officials of several mortgage finance institutions and real estate brokers produced a consistent picture of a stable and active real estate market throughout the city including the older ghetto neighborhoods. Banks participate actively in the refinancing and in the transfer of residential properties in changing neighborhoods as well as the older more stable areas. Mortgage money, while currently tight, is available to the "legitimate" purchaser almost regardless of location so long as the property itself is good collateral and the purchaser of good reputation. Institutions also participate freely in investor-speculator activities and apparently see no contradiction in furthering homeownership simultaneously with promoting the small unit multi-family market of the investor-speculators.

The banks in Atlanta have yet to find any weakness in the mortgage market. There is an extremely low level of mortgage arrears or default -- one large bank reported foreclosures at the rate of 2 or 3 a month on a base of approximately 20,000 and an arrears of $18,000 on assets of $338,000,000.[8] Also, there is little apparent racial discrimination in the mortgage market. Black home ownership is encouraged and the generally lower level of Negro household income is accomodated by the application of more liberal lending criteria.

The purchase of land contracts as found in Chicago and Cleveland does not exist in Atlanta. We found no evidence of the general use of exploitative sales practices used in conjunction with blockbusting as in other survey cities.

The Market for Vacant Buildings and Vacant Land

Land in older built-up residential neighborhoods is a valuable commodity in Atlanta. Owners of dilapidated properties may try to squeeze out the last ounce of value from them until forced to make a reinvestment decision through the city's code enforcement activities. But then they are quick to make the needed improvements or demolish and rebuild depending upon the basic quality of the structure in question. The occasional vacant structures that can be seen in Atlanta ghetto neighborhoods are often being held by an investor-speculator who is attempting to acquire neighboring properties for purposes of accumulating sufficient land to construct a small apartment building.

It thus appears that there has been a minimum of over-mortgaging of properties or building up of higher paper values than can be reasonably sustained by owners and tenants. Taxes are low enough to be a positive rather than negative factor in reinvestment decision making. And the demand for low rent housing related to the construction and financing costs is sufficiently in balance to provide attractive investment opportunities for inner city housing developers.

Public Policies and Programs

The City of Atlanta has been engaged in an aggressive code enforcement program for some years. In 1969 about 600 housing units per month were repaired by owners following city notice of deficiency. In 1970 this rate has doubled.[9] Yet unlike cities where abandonment was a noticeable phenomenon, few of these actions led to demolition and an insignificant number led to abandonment. In general, the evidence suggests that this tough policy has led to an upgrading of the housing stock and the demolition and replacement of the worst housing.

Public tax policies are supportive of this approach. In rem proceedings in Atlanta take only one year rather than the four to seven years needed for public acquisition of tax delinquent properties in other surveyed cities. This ability and willingness of the city to act on tax delinquencies together with a low tax rate (about 2½ to 3% of real value compared to more than double such rates in other surveyed cities) encourages owners to pay up rather than relinquish their properties. The actual collection rate is reported at close to 99%.

Summary

We were told by one of the larger Negro real estate investors in Atlanta of his faith that when the Braves baseball team moved to Atlanta

his ghetto properties were going to rise in value along with the rest of the city's real estate. All speculators advanced their expectations a notch on opening day, the black speculators included. Our informer is not a baseball fan but he was able to take his enthusiasm to the Atlanta banks and receive cash for it. With this cash, we were told, he reinvested in ghetto properties and allowed himself to be pushed by city policies into making some repairs.

Atlanta provides a picture of a healthy investment market in older as well as new housing with many kinds of investors and speculators functioning. The city's policies are in tune with the real estate market and assist it to operate at a higher level of housing quality than would probably hold true if there were no public intervention. While racial discrimination is a fact of life, the financial institutions appear to be behaving in a color blind fashion -- even in a paternalistic manner in some instances.

The balance between supply and demand may be a precarious one in Atlanta -- our information is too partial to judge accurately. If the confidence of investment institutions in the black submarket is ever seriously shaken by an economic downturn -- which would be bound to affect that market the hardest -- disinvestment may be precipitous. Also, unless Atlanta government is different than most, such a downturn might turn felicitous city strategies into ones which accentuate rather than curtail disinvestment.

FOOTNOTES

[1]"Housing and Urban Affairs Daily," August 25, 1970.

[2]Analysis of Atlanta, Georgia, Housing Market, Dept. of Housing and Urban Development, Federal Housing Administration, Wash., D.C., June, 1968, p. 9.

[3]Ibid., pp. 9-13.

[4]New York Times, March 11, 1971, p. 24.

[5]Planning Atlanta 1970, Dept. of Planning, Atlanta, Georgia, April, 1970.

[6]Atlanta Monthly Report, Dept. of Finance, City of Atlanta, June, 1970, pp. 6-7.

[7]Planning Atlanta 1970, op.cit.

[8]From an interview with Bill C. Wainwright, President, Atlanta Federal Savings, August, 1970.

[9]Atlanta Monthly Report, op.cit., pp. 6-7.

CHAPTER III

SOCIAL AND POPULATION TRENDS LEADING TO ABANDONMENT AND THE EMERGENCE OF THE CRISIS GHETTO

"If we put an Army sentry on every corner then we might stop the crime and violence."

Asst. Corp. Counsel, City of Chicago

"It's getting so bad that soon the National Guard will have to drive food trucks into this neighborhood because there aren't any more stores."

Black Real Estate Broker, St. Louis

Introduction

The previous case studies have concentrated on some of the poorest neighborhoods in several large cities. There are a number of indications that the problems of these neighborhoods in which final abandonment is a visible condition are results of a process which is metropolitan-wide in effect and which is endemic in many American metropolitan areas. The process referred to is one in which many center cities have become repositories for the poor and the black and our suburbs have become protected enclaves for the white and the well-to-do. This process is many faceted and includes social, economic, and political aspects. In this chapter those social aspects most clearly related to housing abandonment will be discussed in some depth. Chapter IV will deal with the economic aspects which relate to abandonment.

During the decade of the 1960's due to this process of racial and economic polarization, a new kind of central city neighborhood has emerged - a neighborhood that is a slum in a classic sense, yet different. The "crisis ghetto" is a slum in which not only are the residents all poor and members of a minority group and the housing deteriorated; but also an area in which individual and family incomes are declining while indices of social pathology are rising. It is a slum without a slumlord. Rent collection and maintenance is sporadic, and real property has become of little interest to the residents and of slight value to the owners. In many cases residential real estate is viewed as a liability rather than an asset.

Polarization of Metropolitan Population Since World War II

The overwhelming preponderance of the growth of the white population within the nation's metropolitan areas in the post World War II period has taken place in the suburban areas which surround central cities. In 1950, 34 percent of the total white population in all U.S. metropolitan areas lived in central cities.[1] From 1950 to 1960, 89 percent of the growth of the white population in all metropolitan areas occurred in the suburban rings, and only 11 percent in the central city portion of these areas.[2] While the white component of population located within metropolitan areas during the 1950-1960 period increased by a total of over 19 million persons, only 11 percent of the total growth took place in central cities.[3] As a result of these trends, by 1969 the proportion of metropolitan area whites living in suburbs had risen to 38 percent compared to 26 percent in 1950.[4]

From 1950 to 1970, the total black population within metropolitan areas had risen by 90 percent. Of this overall increase, 80 percent took place in central cities.[5] In 1950, 44 percent of all blacks living in U.S. metropolitan areas resided in their central city portions. The comparable figure in 1960, was 53 percent and by 1970 the total had risen to 58 percent.[6] In fact, while absolute population size has remained relatively static because of the extensive redistribution that had taken place within the white group, metropolitan areas have become polarized (spatially, socially and economically) between an increasingly black central city and a largely white suburban ring.

Black population growth in the central cities of the largest SMSA's was very rapid during the 1940's and 1950's, due to immigration as well as natural increase. The black population has continued to increase, but its current rate of growth, while exceeding the rate established from 1950-60, is nowhere near as rapid as it was in the earlier decade.

It had been reported earlier that net out-migration of blacks from the South decreased during the decade of the 1960's. Recently reported data, however, contradicts this assumption and suggests that annual net out-migration of blacks in the period 1960-70 (147,400) was almost the same as it was for the 1950-60 period (147,300).[7] For the 30 cities with the largest black population as of 1970 we have a mixed picture of growth. In cities such as New York, migration accounted for the lion's share of the growth (62%) during the sixties, while in others such as Chicago, St. Louis, & Cleveland natural increase was the predominant factor.[8] This suggests that recent out-migration of blacks from the South has not been evenly distributed among northern, western, & middle western cities and has exhibited a pattern which markedly differs from that established in the fifties. Industrial centers such as St. Louis, Cincinnati, and Cleveland, which once attracted Southern blacks, experienced net out-migration of blacks during the 1960's.[9]

Income Polarization Related to Spatial Polarization*

As central cities have become the focus of black population growth, they have become the home of an ever growing proportion of the poorest households in metropolitan areas. While the income of black households rose and as housing became available as a result of white suburbanization, an economic differentiation between ghettos began to develop. Unlike previous decades where middle income blacks lived side by side with their less fortunate brothers, prosperity and changes in the metropolitan housing market have allowed the development of solidly middle income black neighborhoods. As the older neighborhoods have been drained of their more economically stable households, they have been driven into social and economic despair.[10]

The emergence of ghettos deserted by stable households first gained the notice of social scientists in 1967 when a special census in Cleveland and Los Angeles supplied evidence of their existence.

Cleveland's Crisis Ghetto

The special census which was taken in 1965 in Cleveland demonstrated that contrary to national trends real income had declined in those areas previously known as the hard-core ghetto.[11] For male-headed families in Cleveland's crisis ghetto, the decline was on the order of 2 percent during the same period. Indeed, the average weekly income of a female-headed family in Cleveland's crisis ghetto was a meager $37.50 in 1965. In addition to a one-third increase in the unemployment rate in the Cleveland ghetto, the percentage of families with incomes below the poverty level rose from 33 to 41 percent (1960-1965).[12]

Income, however, was not the only variable used to indicate the existence of crisis conditions. It was also discovered that the demography of these areas had undergone substantial changes in the brief five-year period. To illustrate, total population in Cleveland's crisis ghetto declined by 20 percent, (170,000 to 134,000), but the percentage of black, female-headed families increased by 8 percent. Furthermore, children in black, female-headed families increased by 25 percent, and children in poor families that were also black and female-headed jumped 30 percent.[13] In the aggregate, these data indicated that the communities under investigation were rapidly depopulating. Disaggregation, however, revealed that the out-migration was quite selective, and that the areas were also becoming enclaves for the aged and the very young.

*This discussion is in terms of "black" and "white" population groups since the census classifies poor minorities such as Mexican and Puerto Rican Americans as "whites".)

Characteristics of a Crisis Ghetto

The examination of economic conditions within crisis ghetto areas has been less than exhaustive, but it has provided us with enough data points to formulate certain generalizations. In the area of social conditions, our benchmarks have traditionally been imprecise. While admitting that the variables we have delineated are an incomplete list of possible indicators of social instability, we do believe them to be adequate for basic identification purposes.

Our research into the problem of housing abandonment has focused on conditions in seven cities. In five of the cities examined (New York, Chicago, St. Louis, Cleveland, and Hoboken) we uncovered areas that fit not only the economic, but also the social criteria we established for a crisis ghetto. These criteria were:

1. Decreasing median family income.

2. Increasing unemployment rates.

3. Increasing number of poor female-headed families.

4. Declining total population.

5. Increasing public assistance dependency.

6. Increasing rates of crime and vandalism.

7. Stability in the median years of schooling completed and the percent of high school graduates in the population.

These communities typically contained families and individuals who bucked the national trends in that they have either taken a lower position on the scale of economic and social progress, or have failed to exhibit statistically significant gains.

Barriers to the Formation of a Crisis Ghetto

In the course of our investigation we uncovered two cities which did not fit the crisis ghetto pattern. They were Detroit and Atlanta. Detroit most certainly had a concentration of low-income and socially-deviant persons, but it did not compare in magnitude with that found in Chicago, New York, Cleveland or St. Louis.

Single-family homeownership continued investment in home mortgage activity, and a relatively substantial black middle-class are factors which have operated to sustain a viable real estate market and prevent the large-scale aggregation of the crisis elements of the population. Detroit's housing problem is concentrated in the multi-family, rental portion of the inventory, but less than 5 percent of the total housing units fall into this category and not all of the multi-family units are occupied by low-income persons. Thus, the present situation is not that acute. As

the reports of the violence in that city have pointed out, Detroit's problem is not one of lack of performance. It is rather one of spiraling expectations that cannot keep pace with performance.

In Atlanta, forces which act as barriers to the concentration of the poorest and least stable elements of the population are also operating. The booming economy has produced a substantial black middle-class which has invested heavily in homeownership. But more important than the access to conventional mortgage funds that has been secured by the middle-class has been the attitude of local financial institutions towards the working class and low-income segments of the population. Where the savings and loan associations in most cities "cream" the income-elite of the black population, their counterparts in Atlanta and Detroit are willing to negotiate mortgages on properties located in all areas of the city (clearance areas are red-lined) at rates which do not reflect a racial premium. It is also interesting to note that under these liberal policies defaults are extremely low. Therefore, we see that the desire for homeownership by the blacks and the facilitation of that desire by the financial institutions are important barriers to crisis ghetto formations.

Summary

During the last twenty years, the incidence of poverty in the United States has been dramatically reduced, and some observers believe that the quality of life within our cities has significantly improved. Anthony Downs believes, "...that it is misleading to speak of a 'crisis' in our cities as though most trends are at some point of discontinuity which poses a grave and immediate threat to society. On the contrary, in terms of absolute standards of living, the vast majority of people living in both cities and suburbs have in the past decade experienced rapidly improving conditions in almost every respect."[14]

Essentially, Downs views the problem as one "...resulting from a disparity between aspirations and performance, rather than a complete failure of performance."[15] The data suggest that this analysis is valid only when one looks at total metropolitan areas. There are entire communities which, in the midst of progress and increasing affluence, have markedly deteriorated. By any criteria, the standard of living or quality of life has declined in areas such as Lawndale, Hough, or Brownsville. Housing conditions, in particular, have deteriorated (e.g., in South Los Angeles, the percentage of sound housing units slipped from 82 percent to 69 percent during the years 1960-65),[16] but we are now confronted by more than just a housing, or a poverty, or an employment problem. The crisis encompasses social as well as economic phenomena.

Evidence for the existence of crisis areas is present in the data which indicate that contrary to Downs' suggestions, within certain areas most trends are at some point of discontinuity. Poverty is actually increasing in the crisis ghettos. Furthermore, the number of persons

affected by conditions in the aforementioned areas is far from inconsequential: the crisis ghetto population of Cleveland, for example, is close to 18 percent of the total population of the city.

Perhaps the only adequate way to describe conditions within the crisis ghetto is to say that there has been a systematic collapse of the traditional institutional mechanisms establishing and sustaining a viable community. The institutions of government are either no longer operating or function at minimal levels. In the ghettos of Chicago, policemen and firemen are compelled to spend a great deal of their energy protecting their own lives, rather than the lives and property of community residents.

Commercial abandonment, which in Detroit far surpasses residential abandonment, is the visible manifestation of economic collapse. The institutions which control the flow of funds into ghetto communities have long since withdrawn their capital. Whereas the hills of Appalachia are scarred with strip mines which no longer produce, the streets of the ghettos are pockmarked with residential and commercial skeletons from which the golden lode has been extracted. Furthermore, observable conditions lead us to believe that, "The deleterious effects of the hard core ghetto spread beyond the economy to the total environment -- to schools, to street associations, to the preservation of life itself."[17]

The social order of the slum also appears to have been weakened and the families living there have been subjected to a reign of terror directed by gangsters, pushers, drug addicts, and a varied assortment of other felons. Female-headed families, even with the enormous resiliency they have displayed, are unable to cope with everyday threats to their lives and meagre belongings. In commenting on the pervasive fear that characterizes ghetto residents, Patricia Sexton observed that, "...fear colors their whole lives: their ability to learn, to work, to stay sane, and healthy, to be friends with their neighbors, to trust the world, outsiders, themselves. Fear is the crippler of the slums."[18] This in not the world of the much publicized Italian-Americans in Boston, nor is it the slum of previous decades. It is a new phenomenon that has been created by the almost total collapse of those institutions which normally act to preserve social order and create opportunities for economic growth, and by the slowness of the process of generating new institutions to replace the archaic and unworkable.

FOOTNOTES

[1]The Negroes in the United States: Their Social and Economic Situation, U.S. Department of Labor, Bureau of Labor Statistics, Washington, D.C., June, 1966, p. 67.

[2]Ibid., pp. 67-68.

[3]Ibid., p. 68.

[4]U.S. Bureau of the Census, Current Population Reports, Series P-23 No. 33, "Trends in Social and Economic Conditions in Metropolitan and Nonmetropolitan Areas," U.S. Government Printing Office, Washington, D.C., 1970, p. 4.

[5]Ibid., pp. 2-6.

[6]The Negroes in the United States: Their Social and Economic Situation, p. 68, and Current Population Reports, p. 5.

[7]U.S. Bureau of the Census, Current Population Reports, Series P-23, No. 38, "The Social and Economic Status of Negroes in the United States, 1970," U.S. Government Printing Office, Washington, D.C., 1970, p. 11.

[8]Ibid., p. 18.

[9]Ibid., p. 19.

[10]For many years we have tended to ignore the diversity that exists within black communities. No differentiations, no distinctions, blacks were simply stereotypically considered to be the "lumpen" elements of our dominant white society. Fortunately, these convenient but grossly distorted generalities are frequently being shattered under the impact of economic realities, but the tendency to view all blacks as a monolithic entity still persists. To fully appreciate the process of community deterioration one must understand the "game" being played in many central cities. It has been described as the "great chase", and it begins with the existence of what we have described as the crisis ghetto. As housing in the crisis ghetto deteriorates and is abandoned, the lower-class and the truly marginal blacks take the line of least resistance and move into housing units in middle-class black areas. Fearing the collapse of public services, a loss of status, and an increase in violent crime, the middle-class re-establishes occupancy in white areas, while the whites flee to the suburbs. Capital and public service disinvestment often follows the road travelled by the poverty-stricken and the middle-class black, and the result is a housing inventory and a community that is doomed to deterioration.

[11]U.S. Department of Commerce, Bureau of Census, Current Population Reports, Technical Studies, "Characteristics of Selected Neighborhoods in Cleveland, Ohio: April, 1965," Series P-23, No. 21.

[12]Walter Williams, "Cleveland's Crisis Ghetto," Transaction, September, 1967, pp. 35-37.

[13]Walter Williams, op. cit., p. 36.

[14]Anthony Downs, "The Future of American Ghettos", in The Economically and Socially Disadvantaged and the City (Chicago: Metropolitan Housing and Planning Council of Chicago, 1967), p. 155.

[15]Ibid., p. 154.

[16]U.S. Department of Commerce, Bureau of the Census, Current Population Reports, Technical Studies, "Characteristics of the South and East Los Angeles areas, November, 1965," Series P-23, No. 18.

[17]Walter Williams, op. cit., p. 37.

[18]Patricia Sexton, Spanish Harlem: Anatomy of Poverty (New York: Harper and Row, 1965), p. 116.

CHAPTER IV

ECONOMIC FACTORS IN HOUSING ABANDONMENT

Introduction

As it affects particular buildings, abandonment can be viewed as the terminal act culminating a lengthy process of undermaintenance, or capital disinvestment. Given the length of the lead time between the initiation of undermaintenance and disinvestment and the appearance of abandonment, the present scale of the problem, forbidding as it now seems, may be merely a harbinger of much worse things to come.

The initial impact of abandonment is almost wholly on lower income households, particularly poor minority group families. In fact, it is impossible to analyze the course of the process leading to abandonment in a realistic manner, much less prescribe for it, without relating it to the peculiar position of the black or Spanish speaking submarket within the overall housing market. It is apparent that this widening scale of abandonment reflects a serious and growing deficiency in the ability of the private and public institutions which supply the central city housing market to deliver even minimum standards of housing service to low income black and Hispano households. In addition, their inabilities in this respect now seem to be affecting upwardly mobile households from these groups as well. Thus, whatever the immediate impact, the ultimate consequences of the abandonment process will soon be felt throughout our entire society because it raises issues and touches concerns which go to the heart of the contemporary urban crises: poverty, discrimination, racial polarization, decline of the central city as a place to live and do business in, and fragmentation of the sound economic unity of the metropolitan area. The purpose of this chapter, then, is to examine the forces leading to abandonment as well as the short and long run consequences for the social groups and economic interests affected by it. The movement toward abandonment results from the intersection of demographic trends with the economics of the housing market and certain public policies. These demographic trends have been discussed in the previous chapter; here we will focus on the economic aspects both metropolitan area-wide and specific to the crisis ghetto.

Economics of the Normal Housing Market

In a housing market undistorted by factors of racial prejudice and exploitation, investment decisions are primarily based on straightforward economic calculations. Take the case of a long term investor who purchases a newly constructed multi-family rental property. We can assume that his decision to invest is based upon several economic judgments. First, his decision is based on the price of the building which is satisfactory in

terms of the value of the expected relationship between rents and costs of operation including his profits and amortization of the capital investment. Amortization is calculated on a period of years - say 50 to 100 - which he considers to be the remaining physical life of the building. Amortization payments on the capital investment should include two principal components: the equity investment by the owner and the permanent mortgage which may be provided by a bank or an insurance company.

At the outset the mortgage will typically constitute the lion's share of the capital investment with the owner's equity representing the minority interest. However, it is unusual for a mortgage to be given for the entire estimated term of economic life of a building. Usually the mortgage is given for a fraction of that period. In order to reduce costs or withdraw capital, refinancing is usually sought for the building, long before the term of the original mortgage. In effect, then, the refinancing potential provides the principal investors with the need for continual reappraisal of the economics of the building. Reinvestment is forecast as much as possible at the outset of decision making regarding the building.

Amortization is another major element in the overall cost structure involved in the building's operation. A high amortization requirement, all other things being equal, will exert upward pressure on the rent level which will be necessary to cover current costs.

Mortgage refinancing can provide the occasion for the lender to insist on more stringent amortization requirements. This may be provoked by a re-evaluation on the lender's part of what he conceives to be riskiness of the investment in question. If he feels, for whatever reason, that it has become a good bit riskier he may require a more rapid rate of amortization in order to protect himself. This insistence on faster amortization implies that the building's economic life is shorter in the mortgagor's eyes.

In addition to amortization, other major operating costs, including payroll costs, are likely to be small in relation to the overall operation costs. Property taxes are a function of the application of a specified tax rate to the building's assessed value. In theory, the assessed value should bear some relation to the property's market value which in turn should be related to the discounted net income flows from its operation. In actual practice, however, the general tax rate is determined by the relationships between the assessed property values and the need for revenues to provide public services. The need for locally financed public services has been rising at a faster rate than the value of locally assessed or market values. As a result, tax obligations have gone up whether or not the profitability of particular properties has changed. It seems, in fact, that the discounted flow of net incomes from housing occupied by poor and near poor households has declined while taxes levied on such properties have been rising. In any case, tax policies do not reflect the particular economic circumstances which govern operations of particular buildings.

Similarly, the trends in interest rates are determined by national forces which reflect the overall supply of capital for lending and investing and the demand for capital. Since housing is a highly capital-intensive operation with a high ratio of debt in its capital structure, the importance of the interest rate factor in its costs should be obvious. The past decade has seen steeply rising interest rates. As outstanding mortgages are refinanced, higher interest rates are instituted with inflationary implications for the costs of housing. In addition to this, if lending institutions at the same time alter their estimation of the riskiness of a particular investment they will insist on an appropriate interest rate premium to reflect this alteration. The implementation of this changed evaluation will once again typically occur at the time the outstanding mortgage is renegotiated.

The final cost element is expenditure on maintenance. In the case of a structure providing housing services, the proper discharge of the maintenance function assumes tremendous importance. Failure to carry out adequate maintenance results in an effective and, after a time, irreversible deterioration of the structure to provide the level of housing services it was originally capable of furnishing. However, it should be recognized that maintenance costs are one of the few cost elements over which owners exercise some direct control. In times of cost squeeze, the owner can't reduce his taxes or his debt service - the temptation is to reduce maintenance costs.

The Housing Market of a Crisis Ghetto - A Deviant Market

The housing market that was observed in the crisis ghettos included in the National Survey of Housing Abandonment was in a state of chaos. Privately initiated maintenance or rehabilitation was non-existent, and a stable landlord-tenant relationship was an unusual circumstance. Landlords were typically burdened with ever increasing operational costs. Taxes and water rates had risen. The labor charges commanded by tradesmen included a risk premium that usually inflated normal costs by at least 30 percent. Vandalism quadrupled maintenance expenditures. The capital available for mortgage refinancing and property improvement had evaporated, and rent withholding had become widespread. Moreover, the incomes of the tenants (having, in many cases, decreased when costs were rapidly increasing) prohibited the payment of rents necessary to keep a property at the break-even point.

Tenants, who in some cases were the victimizers, were also the victims of a disinvestment process that had gradually but inexorably diminished the qualitative bundle of goods and services usually provided by the landlord. They typically inhabited the oldest segments of the housing stock which had often been converted from single to multi-family occupancy. It was not uncommon to find large families occupying single rooms.

A non-destructive, rent-paying tenant was a commodity coveted by landlords. Even if a non-destructive tenant were rent delinquent,

landlords were extremely reluctant to commence eviction because they knew that once a vacancy occurred, the unit, and eventually the entire structure, would be vandalized. Structural stripping has become a ghetto art form. A vacated single-family home can be rendered unrepairable in a matter of hours, and in multi-family dwellings the time lapse is often one or two days.

The popular interpretation of this phenomenon has been that narcotics addicts have been the villains in the process. The economic return derived from stripping, however, is quite meagre and it is doubtful that addicts could support a habit on the sales of copper and household fixtures. Stealing pocketbooks would seem more profitable and significantly less strenuous.

It must be recognized that landlords are caught on the horns of a dilemma that in many cases they themselves created by disinvesting at the onset of racial transition. They cannot attract tenants with incomes to support their holdings at profitable levels because the middle-class has no desire to live in structures that do not possess adequate heating or plumbing. Moreover, they see no reason to subject either themselves or their children to the rampant crime, overcrowded schools, inadequate sanitation, or chronically deficient health care which characterizes ghetto communities. On the other hand, to hold the non-destructive tenants that they have, some landlords have held rents to levels which result in negative cash flows.

Many landlords, however, project their total disinvestment and make no concessions for "good" tenants in ghetto properties. These landlords calculate a higher return by "milking" their properities rather than trying to maintain them to attract refinancing or new ownership capital! As abandonment has become a more evident phenomenon, it is to be supposed that decisions for complete disinvestment are encouraged. A form of disinvestment on the part of experienced landlords is to transfer title to inexperienced operators for little or no capital consideration. Such a transfer frees the experienced landlord of liability and personal anguish, but only compounds the social and economic problems of ghetto housing.

Social-Psychological Factors Contributing to the Crisis Ghetto Conditions

The crisis ghetto phenomenon is the product of a process which commenced with racial transition.* The appearance of blacks had a profound psychological effect on property owners in transition areas. It deracinated their dreams of capital appreciation (in the form of increased property values), and prompted them to embark upon a deliberate strategy of maintenance disinvestment. The decline in housing services was often coincident with a dimunition in the quality of public services. Garbage collection became more sporadic, local schools were deserted by experienced teachers, zoning ordinances were circumvented so as to permit the intrusion of bars and hostile land uses, and the illegal traffic in policy and narcotics increased. The cumulative effect of the above was to render the neighborhood undesirable for those with the resources to flee. Out migration of the middle and working classes became more intense as fringe areas of the city were deserted by whites and, gradually, the community was left with a residual population - those unable to cash in on the delayed materialization of the American dream.

Local financial institutions were deeply involved in the transition process. Certain banks, for example, the now defunct Lawndale Savings and Loan Association in Chicago, financed the exploitive speculation which occurred in transition and ghetto communities, while others retained mortgages on single-family properties which were converted into rental occupancy. As the market for slum housing deteriorated, the financial institutions began to be burdened with delinquencies and defaults, and the process culminated in the banks "red-lining" substantial areas within the central city. More specifically, they refused to consider mortgage applications in those areas that were potentially black. As a consequence of

*It should be noted that the process which is now operant in the ghetto areas of many of our central cities is not without precedent. Interestingly, in areas such as the Lower East Side of New York City the factor primarily responsible for creating an environment that was conducive to speculative exploitation was ethnic rather than racial transition. The Knickerbocker Townhouse, which was the backbone of the housing inventory for the middle and upper classes at the turn of the century, was converted into single room occupancy units for the immigrants at exorbitant rents. The profits derived from such activity served as the investment capital for the construction of "packing-house" and old-law tenements. Maintenance of the Knickerbockers was non-existent, but unlike today, when they fell out of the inventory (or in some cases before they fell out) they were replaced with more lucrative (i.e., larger scale) slums. Other conditions that are now panicking municipal governments were also present years ago. The notorious Five Points area of the Lower East Side was comparable to any existing high crime area, and in the 1930's close to 6,000 housing units were enumerated in boarded up tenements on the Lower East Side.

Both Jacob Riis in How the Other Half Lives, and Leo Grebler in The Housing Market in a Declining Area vividly document the above phenomena.

the collapse of the market in the ghettos many savings and loan associations now hold title to a substantial number of parcels that are either valueless or unmarketable at the current asking price.

In many instances non-institutional sources of capital played the major financial role in the ghetto housing market. At the apex of the boom, land contract and purchase money mortgage activity was very brisk. A substantial number of transactions were characterized by exorbitant debt service requirements and low ratios of equity to total mortgage amount. Both of these factors rendered the new holding extremely tenuous, and the mortgagors often found themselves unable to survive in an atmosphere of ever-increasing operational costs.

Non-institutional lenders found themselves in the same position as the savings and loan associations, and they reacted in like manner by withdrawing their capital wherever it was possible.

The collapse of the market in crisis ghetto areas has had a pernicious effect on the entire black submarket. Blacks have always had to pay an extra premium for home mortgages. In most cases this premium took the form of either higher downpayments (30 to 40 percent) or increased interest rates. Now, in cities such as St. Louis and Cleveland where institutional and non-institutional red-lining is most extensive, mortgage funds have dwindled to the point of non-existence - even for those capable of paying current rates.

In summary, the impetus to withdraw residential investment capital from black and potentially black areas within central cities has created a situation in which the viability of the cities as a whole must be questioned. Furthermore, since the growth of the ghetto will only be one quarter of the total increase in the suburban population during the years 1960-1980, the financial institutions will still be able to locate areas in which investment is deemed to be desirable. Thus, there is no prospect for a diminution in the rate of capital flight from the central city.

Underlying Causes of Disinvestment Manifested in Crisis Ghettos

What is happening on a visibly significant scale in crisis ghettos is also occuring in adjacent neighborhoods and, in at least two of the survey cities, city wide. In this section, the factors within the present center city housing markets which make up the process of disinvestment and abandonment will be examined.

A. Rising Costs and Diminishing Supply of Capital

During the 1960's the United States has witnessed not only a dramatic rise in the cost of capital, but also a dwindling of the supply of funds for residential real estate within central cities. Rising interest rates (they have doubled since 1950) have placed many rental properties in a

financial crises. Banks that negotiated mortgage loans ten years ago at 5 percent with an amortization payment of 2 to 4 percent are now asking 10 percent for interest and 7 percent for amortization.[1] The nature of the economy dictates high premiums for capital, but the increase in amortization requirements has indicated that banks and savings and loan associations have decided to withdraw their funds from the central city housing market. In New York funds are still available, in many neighborhoods, albeit under very stringent conditions - but in cities where financial institutions have lesser amounts committed to rental and owner-occupied properties the squeeze has taken the form of nearly city-wide red-lining.

The diminution in the availability of capital and the increase in the cost of money has had a number of effects. Major repairs and renovations have had to be delayed or even cancelled, and new residential construction in center cities has virtually ceased. Permits for 580 housing units were issued in St. Louis in 1969, and the overwhelming majority of these were publicly assisted.[2]

B. Other Rising Costs

Coincident with the increase in the cost of capital has been an annual rise in real estate taxes, insurance rates, utilities, and maintenance costs. A recent study of the housing market in New York City by the Rand Corporation found that taxes were increasing from 4 to 6 percent annually, and that maintenance costs rose by similar percentages.[3] Table I indicates that the annual cash outlays by owners and renters for real estate taxes is far from inconsequential.

Table I

Property Taxes on Housing As Percent of Housing Expenditure

Owner-Occupied Single-Family Houses	1960
All United States	17%
In SMSA's	19
Northeast Region	24
North Central	20
South	10
West	18
Rental Properties	
1-4 Units	17
5-49 Units	17
New York City	23
Elsewhere	16
50 or more Units	20
New York City	23
Elsewhere	15

Source: Dick Netzer, "Needed Reforms in Housing Tax Policies," in The Economically and Socially Disadvantaged and the City (Chicago: Metropolitan Housing and Planning Council of Chicago, 1967), p. 119.

The collective force of the increase in the supply price of capital and faster amortization requirements have created a situation in which the only rational decision that a landlord can make (from an economic point of view) is to disinvest. Under conditions of persistent capital disinvestment by financial institutions landlords have no hope for long-term appreciation. And even if such a prospect were on the horizon, the highly fragmented and capital-poor nature of property ownership within the inner-city renders a holding strategy economically impossible.

C. Public Policy

The housing market is to some extent controlled by the actions of municipal governments. Public policies impact the market through the administration of building and housing codes, and indirectly through the delivery of public services such as schools, sanitation, and police protection.

The case studies in this report have demonstrated the importance of code enforcement policies in the abandonment process. Theoretically, the proper administration of codes should sustain or even increase the supply of standard housing units, but we have seen that in many cities it has had the opposite effect. Building codes which are designed to insure safety often act to needlessly increase housing costs. Most frequently this is due to the prohibiting of labor-saving devices and materials, and the reluctance to incorporate performance standards into the statutes. Zoning laws which were originally designed to preserve the character of neighborhoods and provide for orderly growth also have acted in a contradictory manner so as to permit uses and densities that tend to downgrade neighborhoods. Public housing policies have also been frequently negative. The exclusion of public and low-cost housing from white non-ghetto sections of metropolitan areas has compelled both public and private sponsors to perpetuate ghetto living patterns. Also, as the experience in Cleveland has shown, zoning regulations were not uniformly enforced and the intrusion of hostile land uses into residential areas was sanctioned.

While the enforcement of existing statutes has been critical to the production and maintenance of housing, we must also consider a more critical item in the matrix - the quality of public services within an area as George Sternlieb has stated, "There seems to be ample evidence that the level of municipal services required by slum areas is higher than that required by non-slum equivalent areas. At the same time there is reason to believe that the actual delivery level of these services is reversed, with poorer areas being slighted."[4] Sternlieb was speaking specifically about Newark, but other evidence suggests that the process of service disinvestment has occurred in many of the central cities that have undergone racial transition.[5] In effect, cities either by design or by default have been reinforcing the fears of property owners. Whereas maintenance of services at pre-existing levels or even selective up-grading

could deter community deterioration, the opposite policy only acts to convince investors and residents that municipal governments are no longer interested in sustaining the viability of their neighborhood This situation is remarkably similar to the strategies played out by financial institutions. They depress new investments by placing a racial premium on mortgages and at the same time they accelerate their withdrawal by raising amortization requirements. City governments act out a much simpler strategy. They pursue a subtle but inexorable policy of service disinvestment.

Finally, in addition to having to deal with all of the above, any proposals for solution must consider the extremely fragmented nature of municipal governments. Typically, a lack of coordination and comprehensiveness characterizes the administration of housing programs. One agency is in charge of demolition, while another deals with construction. Industrial and commercial development are divorced from those agencies charged with increasing the supply of housing. Contradictions abound when one considers the effects of taxes, zoning, and redevelopment policies. Municipal service departments such as police, fire, health, and sanitation exist and function independent of each other and city government as a whole. Cost (social and economic) benefit analysis of contemplated policies is rarely undertaken, and when it is such analyses are characterized by either a lack of scope, or internecine, departmental warfare. The system begs for unity, but it appears that we will be struggling with antiquated government machinery for many more years.

Conclusions - Implications

The picture on the demand side of the housing equation is far from encouraging. Over 60 percent of the households in the United States are unable to afford the price of new, unsubsidized single or multi-family dwellings.[6] This is not a recent development, but the percentage of families priced out of the unsubsidized, new construction market is steadily increasing. Normally, the demand for housing exercised by the low and moderate income segments of the population is satisfied by the existing stock, but as the first section of this report has demonstrated, occupancy costs are rising faster than incomes of the poor in general and for blacks in particular. Moreover, blacks in the aggregate are employed in industries that are vulnerable during economic recessions. To illustrate, approximately 80 percent of the total (male and female) black labor force in the city of Detroit is employed in blue collar occupations. Over 50 percent of the blue collar workers are classified as either craftsmen or operatives, and most of such jobs are found in the extremely income-elastic industry which dominates the economy of the city.[7] Should the present recession continue, the effect on black family income and the housing it supports would be significant.

On the supply side we must consider the effect of capital flight from the central city. The seemingly innate conservatism which pervades

the financial community, and the concomitant willingness to over-anticipate and over-play the effects of racial change has important implications for the viability of the central city. It is an economic axiom that the demand for a good or service does not necessarily result in the supply of that item. This generalization is particularly pertinent to housing where markets are local, products are differentiated, and capital is dependent to a large extent on the attractiveness of alternative investments. Therefore, if financial institutions continue to red-line black or potentially black areas in favor of investments in suburban areas, and if they persist in their strategy of withdrawing capital by increasing amortization payments, then we can only envision a crisis of even greater proportions.

Finally, we can see a decline in the total population of the crisis ghetto, but the area influenced by its existence will continue to grow. Moreover, the social pathologies manifested by this segment of the population will continue to infect the attitudes of landlords, bankers, and residents of adjacent areas.

FOOTNOTES

1. For a particularly poignant example of this see New York Times, July 26, 1970, Section 8, p. 1.

2. This information was conveyed to us by Mr. William Dale, Department of Buildings, City of St. Louis.

3. New York City Rand Institute, Rental Housing in New York City, Volume I - Confronting the Crisis. A report prepared for the City of New York, (New York: New York City Rand Institute, 1970) p. 12. Also see C. Peter Rydell, Factors Affecting Maintenance and Operating Costs in Federal Public Housing Projects. (New York: New York City Rand Institute, 1970).

4. George Sternlieb, The Tenement Landlord (New Brunswick, N.J.: Rutgers, The State University, 1966), p. 231.

5. For a discussion of this phenomenon as it applies to sanitation see: Peter L. Shaw, Municipal Refuse Collection: Public Service Delivery System, Performance Under Overload, an unpublished doctoral disertation, New York University, 1970.

6. Irving Welfeld, "Toward a New Housing Policy" Public Interest (No. 19, Spring, 1970), p. 40.

7. A Profile of the Detroit Negro, 1959-1967 (Detroit: The Detroit Urban League, December, 1967), p. 40

CHAPTER V

APPROACHES TOWARD SOLVING THE ABANDONMENT PROBLEM

The solution to housing abandonment lies within the solution to the problems of the metropolitan environment. The abandonment process begins with either racial or ethnic transition or the concentration of low-income and socially unstable families, on to exploitation, and then follows successively to the weakening of the minority sub-market, disinvestment and, finally, the abandonment of the physical housing stock. While we have described and documented this process at the neighborhood level, it also operates with extensions and variations at the metropolitan level. Simply stated, the central cities of the nation's metropolitan areas are as a whole at some stage of the abandonment process.

While it is beyond the scope of the National Survey of Housing Abandonment to develop a blueprint for the solution of the ills of the nation's metropolitan areas, it is important to point out the relationship between abandonment and the more general problems. If our analysis is correct, abandonment as we have found it would not occur at significant levels if there were no racial or ethnic discrimination or if such discrimination were not permitted to affect the choice of housing available to families. Similarly, if speculators were not permitted to profit on the racial fears and tensions of the larger society, abandonment would be a much smaller problem. If an impoverished underclass with multiple problems were not permitted to grow by inadequate national, social welfare and economic policies, the crisis ghettos would not emerge. If investment institutions were held responsible for the social consequences of their investment and disinvestment decisions, they would be less likely to overanticipate or to precipitate disinvestment or panicky racial change.

While these are very broad statements and seem to imply that abandonment cannot be dealt with except through an unlikely reversal of social attitudes and policies, this need not be the case. Economic intervention may well be effective in stemming disinvestment and abandonment. Additional social interventions are necessary to provide shelter for the crisis ghetto population. Minor social intervention in the form of budget and real estate counseling may be appropriate for some of the population most directly influenced by crisis ghettos.

Types of Potential Interventions in the Abandonment Process

The type of intervention that is likely to be effective in dealing with abandonment appears to depend on a number of factors. The primary factor is the stage of the process at which intervention is attempted. Enforcement of anti-block busting ordinances may be appropriate and effective if applied before speculators get a foothold and panic takes over,

but of little consequence thereafter. Code enforcement may be effective during racial change before the entry of high risk families and the kiting of mortgages, but counter-productive after the speculators have made their killing.

Other key factors include the appropriateness of the scale of the intervention - is there enough money in relation to the need. Also, most interventions have been successful only if those involved are residents who have personal or ethnic self-interest in the survival of the neighborhood.

For the interventions that can be catalogued which deal with the earlier stages of the abandonment process, the record is one of general failure with only occasional success. Some neighborhoods have withstood blockbusting through intensive community organization and evaluation. Some older ethnic neighborhoods have been able to withstand disinvestment by providing their own source of investment capital - notably Italian and Chinese neighborhoods where first generation immigration is still active.

For most interventions, however, failure is complete. No neighborhood, to our knowledge, has been successfully upgraded from the level of poverty found in a crisis ghetto, without the total dispersal of the impoverished population. The effects of such dispersal on an unregulated housing market leave a general decline in life style in the city whatever may seem to have been accomplished in the neighborhood itself.

In more general terms, interventions in the abandonment process at the various stages of that process need to accomplish the following:

First Stage Interventions - Racial Change

Racial integration that can be brought about through fair housing practices has often been presented as the best and most legitimate means of preventing total racial change in neighborhoods. While this ideal is one towards which our society should continue to strive, it has seldom been successful outside of middle or upper-middle income neighborhoods. In most lower-middle and middle-income areas, in order for the process of racial transition to be more benign, ways must be found to make the transition more gradual or more orderly. In other words, it would have to occur without the panic response that provides such fertile ground for the exploitative real estate speculator. Such gradualism might be accomplished through the broadening of housing opportunities for Negroes and other minorities on a metropolitan wide basis; the development of more effective educational programs; and, the restructuring of the metropolitan real estate market to strengthen the competitive attractiveness of center city neighborhoods compared to suburban areas. The latter, is, of course, the most ambitious, since it could involve such things as reversing the differential in effective tax rates between city and suburbs or removing the gap in the quality of neighborhood amenities such as schools and parks.

Second Stage Interventions - "Exploitative"

The exploitative stage of the abandonment process requires different kinds of interventions. Here code enforcement is a prominent instrument of control, but enforcement must be carefully applied so as to strengthen, not weaken, the housing market. Also, inducements and penalties regarding exploitative sales and investment practices such as contract sales might have substantial impact. Dealers in purchase money contracts or sales beyond FHA appraised values might be disqualified from participation in FHA insured mortgage transactions; or, inducements might be offered in the form of guarantees and supports to dealers in transactions meeting FHA specifications.

Another intervention during the exploitative stage that has been used with some success by the Operation Equality Project of the National Urban League might be termed "real estate advocacy". In this program, minority group households are counseled as to their housing choices throughout the metropolitan area and about how to avoid exploitative real estate practices. Concurrently, they are assisted in locating suitable housing and gaining access through the barriers of resistant real estate brokers, financial institutions and other local hostilities. Our survey indicates that a way to avoid some of the problems of transfer of ownership to inexperienced building operators is to provide capital backing for experienced minority real estate entrepreneurs.

At the stage of abandonment wherein the investment market begins to weaken throughout a submarket area and active disinvestment begins to occur, more direct public action and neighborhood organization is required. Through neighborhood organizations and public concern, pressure can be placed on institutions to prevent "red-lining" and assure a source of reinvestment capital; local governments may consider measures such as tax abatement, special rehabilitation loan programs, and management and maintenance assistance programs. Major investments such as public or private educational or medical institutional expansion might be directed into such areas to improve the investment climate.

Third Stage Intervention

Toward the end of the abandonment process, the prospects dim for any intervention that will leave a viable social structure intact. When there are substantial numbers of properties already abandoned, or with heavy burdens of mortgage payments and tax arrears, code enforcement and rehabilitation loan programs are no longer appropriate - they simply move forward the final date of abandonment. Massive public intervention is the only apparent alternative for such neighborhoods.

A primary flaw of past and present slum clearance programs -- called Urban Renewal since 1959 -- is that they only occasionally have been applied to neighborhoods that were abandoned in either the physical or the social sense - that is, the neighborhoods had old and obsolete housing but they

were not abandoned by their owners nor were they "crisis ghettos". Another recognized flaw has been that slum clearance had to be displaced by projects. The findings of this report are that slum clearance, particularly its relocation aspects, are doomed to precipitate overall decline in city life styles unless coordinated with interventions in metropolitan area housing markets.

Concluding Statement

The National Survey of Housing Abandonment was undertaken to identify a problem and to determine its nature and extent. The survey has succeeded in uncovering something which is of no surprise to analysts and observers of post World War II urban America - the fact that the suburban phenomenon has deep social and economic costs. The Abandonment Survey has uncovered in a sense, the accumulated costs of suburbanization to the central cities and those who live there. What we have documented is the first visible signs of a massive disinvestment in central city properties - a disinvestment which to a large extent has already occurred.

The full impact of the disinvestment is only beginning to be felt and is likely to affect hundreds of thousands of central city residents. The investment institutions and original owners of the disinvested properties are not the ones who will be damaged by the culmination of the abandonment process. It will be the marginal and under financed owners who bought the disinvestment properties in hopes of becoming owners of appreciating properties that could yield a modest return on a small investment. It will also be the residents and the social fabric which sustains civilized life in cities that will be victims of abandonment.

The interventions needed to stem and reverse abandonment are difficult and expensive. Our proposed solutions need further investigation and elaboration - as does our research into the causes and process of abandonment. But the need is now and the costs of delay are almost beyond calculation - both in social and economic terms.

T A B L E S

TABLE I

Abandoned Housing in the St. Louis Model Cities Areas

1970

Area	Gross No. of Dwelling Units	
Yateman	7,467	
Montgomery-Hyde Park	3,992	
Murphy-Blair	4,887	
	16,346	
	1,639	Public Housing Units
	14,707	

4,902 Structures
14,707 d.u.

772 abandoned structures - 15.75% abandoned
4,902 Total Structures

Source: Lawyers for Housing, City of St. Louis

TABLE II

POPULATION CHARACTERISTICS: ST. LOUIS
(CITY, COUNTY), 1950, 1960, 1970

Total Population	City	County
1970	622,236	951,353
1960	750,026	703,532
1950	856,796	406,349
Total Negro		
1970	254,191	45,495
1960	214,377	19,007
1950	153,766	17,013
Percent Negro		
1970	41%	.05%
1960	29	.03
1950	18	.04

Source: Bureau of the Census

TABLE III

HOUSING DEMOLITIONS (UNITS), CITY OF ST. LOUIS
1960-1970

Year	Private	Land Clearance	Highways	Schools	Other	Total
1960	473	2,511	2	99	186	3,271
1961	755	2,802	179	-	319	4,055
1962	667	1,666	1,271	-	76	3,680
1963	790	282	326	327	55	1,780
1964	1,021	66	246	44	385	1,662
1965	919	53	386	44	329	1,731
*1966						1,689
*1967						1,914
*1968						1,373
*1969						1,052
*1970						1,973
						24,180

*Disaggregated totals not available for the years 1966-1970.

Source: Dept. of Buildings, City of St. Louis

TABLE IV

BUILDING PERMITS - CITY OF ST. LOUIS - UNITS

Year	1-Family	Multi-Family	Sub-Total	Public	Total
1960	255	614	869	-	869
1961	214	1,157	1,371	112	1,483
1962	210	1,260	1,470	-	1,470
1963	172	1,343	1,515	-	1,515
1964	278	2,673	2,951	300	3,251
1965	170	977	1,147	-	1,147
1966	80	724	804	1,305	2,109
1967	47	340	387	-	387
1968	27	860	887	-	887
1969	14	566	580	-	580
1970*	6	311	317	-	317
TOTAL	1,473	10,825	12,298	1,717	14,015

*First six months

Source: Dept. of Buildings, City of St. Louis

TABLE V

MEDIAN INCOMES OF NONWHITE FAMILIES
IN SELECTED AREAS
OF CLEVELAND

Area	1960	1965	Difference	Percent Change	Deviation From City Mean 1960	Deviation From City Mean 1965
Glenville	5,814	6,117	+303	+5.2	-511 (8.1%)	-778 (11.29%)
Hough	4,732	3,966	-766	-16.2	-1,593 (25.19%)	-2,929 (42.5%)
West Central	3,210	2,984	-226	-7.1	-3,115 (49.25%)	-3,911 (56.7%)
East Central	4,216	3,887	-329	-7.8	-2,109 (33.34%)	-3,008 (43.6%)
City of Cleveland (all families)	6,325	6,895	+570	+9.0		

Source: U. S. Special Census for Cleveland, 1965, Series P. 23, No. 21.

TABLE VI

ESTIMATES OF POPULATION OF CUYAHOGA COUNTY, 1965
BY POVERTY AND NONPOVERTY AREAS

	Population	Percent of Total
Poverty areas, Cleveland	331,898	19
Nonpoverty areas, Cleveland	516,210	29
Suburbs	910,893	52
Total	1,759,001	100

Sources: Ohio State Health Department; U. S. Special Census for Cleveland, 1965, Series P. 23, No. 21.

TABLE VII

AID TO FAMILIES WITH DEPENDENT CHILDREN,
CITY OF CLEVELAND
FOR SELECTED NEIGHBORHOODS

Area	1963		1966		% Increase (Change in rate)	Increase	
	No.	Rate[a]	No.	Rate[a]		No.	%
Central	657	119.8	834	156.1	30.3	177	26.9
East Central	799	80.4	1,113	115.1	43.2	312	39.3
West Central	961	113.9	1,083	151.3	32.8	122	12.7
Glenville	1,851	76.7	3,305	138.1	80.0	1,454	78.5
Hough	2,796	135.4	3,767	204.4	51.0	971	34.7
Total	7,064	105.2	10,102	153.0	45.4%	3,038	43.0%
Cleveland City Total	9,728	36.0	14,671	55.0	14.0%	5,732	58.9%

[a]Per 1,000 occupied family units.

Source: Welfare Federation of Cleveland Fact Sheets for 1963 and 1966.

TABLE VIII

INCIDENCE OF POVERTY AMONG NEGRO FEMALE-HEADED HOUSEHOLDS, 1959 and 1964, BY SELECTED NEIGHBORHOODS, CITY OF CLEVELAND

Area	1959 Poverty Families No.	1959 Poverty Families %	1965 Poverty Families No.	1965 Poverty Families %
West Central	1,174	47.6	928	52.6
East Central	1,398	41.9	1,366	51.8
Glenville	1,118	43.0	2,159	55.3
Hough	1,681	48.4	2,541	62.1
Total	5,371	45.3	6,994	55.5

Source: U. S. Special Census for Cleveland, 1965, Series P. 23, No. 21.

TABLE IX

MALE JUVENILE DELINQUENCY, AGES 12-17, BY SELECTED NEIGHBORHOODS, CITY OF CLEVELAND, RATE PER 1,000 BOYS

Areas	1960	1965	1966	Rate Increase (Percent)
Central	161.8	194.3	171.8	6.2
East Central	161.9	131.6	176.3	8.9
West Central	160.9	131.2	326.6	102.9
Glenville	119.6	117.1	234.7	96.2
Hough	136.3	115.6	220.6	61.8
Cleveland average	76.7	86.5	100.6	31.1

Source: Welfare Federation of Cleveland

TABLE X

SOCIAL PROBLEM INDEX, BY SELECTED SOCIAL PLANNING AREAS[a]

	Central		East Central		West Central		Hough		Glenville	
	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank	Rate	Rank
Juvenile delinquency (male)	194.3	1	131.6	4	131.2	5	155.6	2	117.1	6
Child neglect & dependency	89.6	4	100.9	2	111.6	1	78.0	5	72.1	6
Private agency child placing	5.4	42	17.6	38	173.7	2	16.2	39	23.2	35
Illegitimate births	41.9	1	34.4	3	31.3	5	35.8	2	26.8	6
Aid for aged	445.6	2	296.8	5	492.8	1	332.1	4	218.8	7
General relief	125.9	3	65.7	6	129.4	2	88.7	4	46.3	7
Aid to dependent children	165.4	2	114.6	6	159.3	3	205.5	1	132.3	4
Tuberculosis, new cases	14.3	4	14.4	3	13.8	5	9.3	9	9.1	10
Infant mortality	3.3	5	2.7	12	4.0	2	3.9	3	3.4	4

For the purposes of this table, rate and rank are defined as follows.
Rate:
Juvenile Delinquency: Complaints filed in 1965, per 1,000, ages 12-17.
Child Neglect: Complaints filed in 1965 per 1,000 under 18 years.
Private Agency Child Placing: Accepted for continuing service by four agencies in 1965, per 10,000 under 18 years.
Illegitimate Births: Number per 100 total live births.

TABLE X (continued)

Aid for Aged: Number of recipients per 1,000 persons over 65 years.
General Relief: Number of recipients per 1,000 occupied family units.
Aid to Dependent Children: Recipients per 1,000 occupied family units.
Tuberculosis: Cases per 10,000 population.
Infant Mortality: Number of infant deaths per 100 live births.

Rank:
The areas are ranked to show comparative need as measured by each factor. The range is from greatest need (1) to least need (28) for Illegitimate Births and Infant Mortality; 42 social planning areas are used for all other factors.

Source: Research Department, Welfare Federation of Cleveland, Feburary, 1967; U.S. Census of Population, U.S. Bureau of the Census, 1965.

TABLE XI

A PROFILE OF SOCIAL CHARACTERISTICS FOR SELECTED NEIGHBORHOODS

	Cleveland Total	Glenville	Hough	West Central	East Central
Total Population[a]	810,858	85,441	58,979	21,442	39,564
Negro[a]	276,376	79,913	51,861	17,317	38,053
%Negro	34.08	93.5	87.9	80.7	96.2
Alignment in labor force[a]	12,970	1,332	1,601	720	1,374
Males	6.4	6.9	13.4	14.0	15.5
% Male	9,660	1,637	1,332	547	759
Female	8.3	12.4	17.5	24.3	13.9
% Female					
Median income[a]	6,895	6,156	4,050	3,000	8,857
Aid to dependent children[b]					
Number of cases	14,671	3,305	3,767	1,083	1,947
Rate per 1,000 units	55.0	138.1	204.4	151.3	135.6
Total youth population under 21[a]	335,627	38,127	27,612	9,284	15,675
Total youth in poverty	58,022	38,127	27,612	4,961	6,374
% youth in poverty	17.3	29.1	48.2	53.4	40.7
% youth in poverty in female headed homes	58.35	65.3	70.9	57.8	55.4
Male juvenile delinquency rate per 1,000 males 12-17[b]	100.6	234.7	220.6	326.6	174.0
Number of youth 16-21[c]	51,871	6,075	4,326	1,758	2,559
Number unemployed[d]	4,886[e]	905	1,097	241	778
%unemployed	17.3 [e]	14.9	25.9	13.7	27.5
% in labor market unemployed	53.6 [e]	57.0	66.6	52.0	70.5

TABLE XI (continued)

[a] U.S. Special Census for Cleveland, 1965, Series P. 23, No. 21.
[b] Welfare Federation of Cleveland Fact Sheet for 1966.
[c] Cleveland Board of Education, "Unemployed Out of School Youth Survey," 1966.
[d] The Board study was limited to the 12 social planning areas of the inner city.
[e] Data do not include information for the remainder of Cleveland; totals refer only to the 12 social planning areas.

TABLE XII

STATUS OF YOUTH, 16-21,
IN SELECTED SOCIAL PLANNING AREAS, 1966 (ESTIMATED)

Area	Total 16-21 Youths	In School		Out of School				Youth in Labor Force		Unemployed in Labor Force
				Employed		Unemployed				
		No.	%	No.	%	No.	%	No.	%	%
East Central	1,663	562	33.8	239	14.4	587	35.3	826	49.7	72.0
Central	936	553	59.1	85	9.1	192	20.4	276	29.5	69.0
West Central	1,758	1,192	67.8	211	12.0	241	13.7	452	25.7	52.0
Glenville	6,075	4,082	67.2	686	11.3	905	14.9	1,591	26.2	57.0
Hough	4,236	2,190	51.7	551	13.0	1,087	25.9	2,052	38.9	66.6
Total	14,668	8,579	55.9	1,772	12.0	3,022	22.0	5,191	34.0	63.3

Source: U.S. Special Census for Cleveland, 1965, p. 115, Series P. 23, No. 21; Cleveland Board of Education, "Unemployed Out of School Youth Survey," 1966.

TABLE XIII

NET CHANGE IN HOUSING STOCK
NEW YORK CITY

1941 - 1970

Year	Number of Dwelling Units						
	Dwelling Units Added To the Housing Supply[1]			Dwelling Units Deducted From the Housing Supply[1]			
	New Units Completed	Conversions[2]	Total	Units Demolished	Conversions[2]	Total	Net Change
1941-45	51,937	24,766	76,703	21,903	6,065	27,968	+ 48,735
1946-50	113,653	32,152	145,805	30,466	17,376	47,842	+ 97,963
1951-55	161,873	29,231	191,104	42,935	9,661	52,596	+138,508
1956-60	161,457	27,336	188,793	78,930	5,926	84,856	+103,937
1961-65	243,833	24,102	267,935	51,253	6,164	57,417	+210,518
1966-70	103,752	13,809	117,561	49,016	7,714	56,730	+ 60,831
1961	35,127	5,294	40,421	16,092	1,273	17,365	+ 23,056
62	47,304	6,287	53,591	10,434	1,182	11,616	+ 41,975
63	60,031	5,169	65,200	12,534	1,289	13,823	+ 51,377
64	51,919	3,749	55,668	7,178	1,234	8,412	+ 47,256
65	49,452	3,603	53,055	5,015	1,186	6,201	+ 46,854
1966	31,952	3,480	35,432	6,929	1,541	8,470	+ 26,962
67	22,857	2,868	25,725	5,998	1,216	7,214	+ 18,511
68	17,242	2,854	20,096	12,083	1,815	13,898	+ 6,198
69	17,469	2,322	19,791	13,176	1,801	14,977	+ 4,814
70(prel.)	14,232	2,285	16,517	10,830	1,341	12,171	+ 4,346

[1]Completion date based on issuance of final Certificate of Occupancy or parallel action for demolition.

[2]Based on limited data; figures approximate.

Source: Housing Statistics and Analysis Section, New York City Department of City Planning, based on data from the Housing and Development Administration, Department of Buildings and Department of Rent and Housing Maintenance.

Note: Figures do not include units in Class "B" buildings.

TABLE XIV

APPLICATIONS FILED FOR NEW CONSTRUCTION
NEW YORK CITY AND BOROUGHS

1966 - 1970

Type of Structure	Number of Dwelling Units					Totals
	1966	1967	1968	1969[1]	1970	1966-70
New York City	36,749[2]	20,452	26,965	30,484	15,559	130,209
1-Family	3,568	1,432	2,036	2,546	954	10,536
2-Family	7,098	6,306	6,088	7,318	1,610	28,420
3-or-more Fam.	26,083[2]	12,714	18,841	20,620	12,995	91,253
Bronx	18,207[2]	1,790	2,945	5,566	2,773	31,281
1-Family	136	102	65	39	23	365
2-Family	766	714	486	822	104	2,892
3-or-more Fam.	17,305[2]	974	2,394	4,705	2,646	28,024
Brooklyn	4,079	2,918	6,861	5,992	4,215	24,065
1-Family	108	111	121	232	14	586
2-Family	1,260	1,688	1,326	1,200	288	5,762
3-or-more Fam.	2,711	1,119	5,414	4,560	3,913	17,717
Manhattan	2,363	7,907	7,537	7,359	3,137	28,303
1-Family	1	0	1	0	1	3
2-Family	2	0	2	4	0	8
3-or-more-Fam.	2,360	7,907	7,534	7,355	3,136	28,292
Queens	6,604	4,906	4,530	5,301	2,854	24,195
1-Family	1,091	364	335	376	109	2,275
2-Family	2,724	2,658	2,030	2,316	728	10,456
3-or-more Fam.	2,789	1,884	2,165	2,609	2,017	11,464
Richmond	5,496	2,931	5,092	6,266	2,580	22,365
1-Family	2,232	855	1,514	1,899	807	7,307
2-Family	2,346	1,246	2,244	2,976	490	9,302
3-or-more Fam.	918	830	1,334	1,391	1,283	5,756

1 Total applications filed under old and new building codes.
2 Attributable in large part to applications filed for Co-op City (15,382 units).

Source: Housing Statistics and Analysis Section, New York City Department of City Planning, based on data from the Housing and Development Administration, Department of Buildings,

Note: Figures do not include units in Class "B" buildings.

TABLE XV

NUMBER OF HOUSING STARTS AND DEMOLITIONS IN THE CITY OF DETROIT, 1960 - 1969

Year	Units Authorized	Demolitions
1960	207	1,719
1961	1,601	2,704
1962	3,128	3,831
1963	2,197	2,498
1964	2,321	3,060
1965	1,751	4,176
1966	1,478	3,645
1967	1,710	4,294
1968	2,163	4,228
1969	592	1,688
TOTAL	17,148	31,843

Source: Office of the Mayor, City of Detroit

TABLE XVI

UNSAFE BUILDING REPORT

May 31, 1970

	1962	1963	1964	1965	1966	1967	1968	1969	1970	Total
Unsafe Building reports written	577	580	544	628	1,345	1,098	872	1,078	466	7,188
Buildings referred to Common Council for										
Removal	371	427	348	336	861	576	627	585	314	4,445
Buildings Removed	175	456	433	389	834	767	690	567	218	4,529
Buildings Rehabilitated	16	66	45	30	82	201	342	265	92	1,059

Buildings Removed by Owner 2,929

Buildings Removed by D.P.W. 1,600

Total Buildings Removed 4,529

Source: Dept. of Buildings and Safety Engineering, City of Detroit, Spot Demolition of Dangerous Buildings, p.3.

TABLE XVII

DEMOLITION OF DWELLING UNITS 1960 TO DATE
DUE TO URBAN RENEWAL

Subject Name	Year Demolition Started	No. Dwelling Units Demolished
1) CBD I	1962	509
2) CBD III	1961	161
3) Elmwood I	1962	1,709
4) Elmwood II	1966	966
5) Elmwood III	unstarted	
6) Forest Park I	1969	183
7) Lafayette	1960	358
8) Mack Concort	1959	197
9) Medical Center I	1961	917
10) Medical Center II	1964	956
11) Medical Center III	1969	368
12) Research Park West	1966	483
13) University City I	1964	1,484
14) University City II	1968	26
15) Virginia Park (12th St. Strip)	Feb., 1970	50
16) West Side Industrial I	1959	771
17) West Side Industrial II	1967	317
18) Wholesale Distribution	1966	468
	TOTAL	9,923

Source: Office of the Mayor, City of Detroit

TABLE XVIII

SUMMARY EXISTING CONDITIONS - WEST CENTRAL AREA
CITY OF ATLANTA, 1970

Developed Acerage	Vacant Acerage	Total Acerage
2100	247	2347

Developed Residential Acerage:

Single Family	Multi-Family	Total
1077	241	1318
45.9%	10.3%	56.2%

Developed Non-Residential Acerage:

Commercial	Industrial	Public & Semi-Public	Total
243	241	298	782
10.3%	10.3%	12.4%	33.3%

Degree of Residential Deterioration (in number of structures):

Standard	Minor Deterioration	Major Deterioration	Dilapidated	Total
3578	3325	1455	118	8476
42.2%	39.2%	17.2%	1.4%	100.0%

Degree of Non-Residential Deterioration (in number of structures):

Standard	Minor Deterioration	Major Deterioration	Dilapidated	Total
820	251	39	3	1113
73.7%	22.5%	3.5%	.3%	100.0%

Population	1960	%	1969	%
Totals	67,802	100%	59,076	100%
White	13,546	20%	9,183	15.5%
Non-White	54,256	80%	49,893	84.5%

Persons/Residential Acre	44.8
Persons/Residential Unit	3.4
Total Residential Units	17,236

Source: Dept. of Planning, City of Atlanta

TABLE XIX

SUMMARY OF EXISTING CONDITIONS - MODEL NEIGHBORHOOD AREA
CITY OF ATLANTA, 1970

Developed Acerage	Vacant Acerage	Total Acerage
1899	102	2001

Developed Residential Acerage:

Single Family	Multi-Family	Total
853	201	1054
42.6%	10.0%	52.7%

Developed Non-Residential Acerage:

Commercial	Industrial	Public & Semi-Public	Total
172	306	367	845
8.6%	15.3%	18.3%	42.2%

Degree of Residential Deterioration (in number of structures):

Standard	Minor Deterioration	Major Deterioration	Dilapidated	Total
1914	3554	2253	356	8077
23.7%	44.0%	27.9%	4.4%	100.0%

Degree of Non-Residential Deterioration (in number of structures):

Standard	Minor Deterioration	Major Deterioration	Dilapidated	Total
279	266	30	7	582
47.9%	45.7%	5.2%	1.2%	100.0%

Population	1960	%	1969	%
Totals	55,728	100	45,013	100
White	19,509	35	13,366	29.7
Non-White	36,219	65	31,647	70.3

Persons/Residential Acre	40
Persons/Residential Unit	3.3
Total Residential Units	13,399

Source: Dept. of Planning, City of Atlanta

Notes

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